

REQUEST FOR PROPOSALS

TECHNICAL ASSISTANCE FOR THE STATE OF MINAS GERAIS TANCREDO NEVES INTERNATIONAL AIRPORT – TNIA NETWORK MASTER PLAN PROJECT

Submission Deadline: **4:00 pm LOCAL TIME**

TUESDAY, NOVEMBER 10, 2009

Submission Place: **Contact:** Danilo Colares de A. Moreira
Diretor da Plataforma Logistica de Comércio Exterior
Subsecretaria de Assuntos Internacionais
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SEALED PROPOSALS SHALL BE CLEARLY MARKED AND RECEIVED PRIOR TO THE
TIME AND DATE SPECIFIED ABOVE. PROPOSALS RECEIVED AFTER SAID TIME
AND DATE WILL NOT BE ACCEPTED OR CONSIDERED.

REQUEST FOR PROPOSALS

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Section 1: INTRODUCTION

The U.S. Trade and Development Agency (USTDA) has provided a grant to conduct the State of Minas Gerais Tancredo Neves International Airport – TNIA Network Master Plan Project on behalf of the State Government of Minas Gerais Economic Development Secretariat. The grant agreement is attached at Annex 4 for reference. The Grantee is soliciting technical proposals from qualified U.S. firms to provide expert consulting services to carry out the Technical Assistance.

1.1 BACKGROUND SUMMARY

The State of Minas Gerais has a land mass that exceeds that of France and is the third largest economy in Brazil. The State also accounts for 10% of total Brazilian GDP. It has a diversified economy including mining, tourism, automotives, and agriculture. The Tancredo Neves International Airport (TNIA), which serves Belo Horizonte, the capital of Minas Gerais, plays an integral part in the economic development of the region.

In 2007, TNIA handled 4.3 million passengers and 55,491 flights (up from 10,650 in 2004), making it the seventh busiest airport for passenger traffic in Brazil. While demand for airport capacity has steadily increased, there has not been a major expansion or update to the Master Plan for TNIA since 1985. As there are plans to invest \$1.3 billion in capital expenditures over the next eight years, the Economic Development Secretariat requested USTDA assistance in updating the Master Plan to both guide and validate the expansion. Among the broad objectives of the Master Plan are:

- A demand-capacity analysis to assess development requirements based on projected air traffic demand;
- A financial plan to finance the proposed improvements; and
- An evaluation of environmental and developmental impacts associated with recommended projects.

On a more detailed level, the Master Plan will analyze forecasted passenger and cargo growth, address the extension of the current runway and the construction of a new runway, address upgrades to the existing passenger terminal and the construction of a second terminal, assess capital improvements to the cargo facility including installation of improved cold storage facilities.

An important element of the Master Plan update is the market analysis that will address the required investment in air cargo and related facilities to support the anticipated increase in economic activity at TNIA. The Terms of Reference will address the market analysis and will also include a task dedicated to making strategic recommendations for public-private partnerships, including different forms of traditional outsourcing contracts. The Master Plan will serve as an investment promotion tool to attract private sector participation and create a roadmap of development for any potential future private partners.

1.2 OBJECTIVE

The objective of the technical assistance is to provide the Secretariat with the basis for future capital expenditures, equipment procurement specifications, financing options, and program implementation. Through participation in the preparation of tender documents (plans and specifications) for the acquisition and installation of certain basic airport facility improvements, the opportunity for U.S. companies to participate in the program will be improved.

The Terms of Reference (TOR) for this Technical Assistance is attached as Annex 5.

1.3 PROPOSALS TO BE SUBMITTED

Technical proposals are solicited from interested and qualified U.S. firms. The administrative and technical requirements as detailed throughout the Request for Proposals (RFP) will apply. Specific proposal format and content requirements are detailed in Section 3.

COST will not be a factor in the evaluation and therefore, cost proposals should not be submitted; upon detailed evaluation of technical proposals, one firm will be selected for contract negotiations. The amount for the negotiated contract has been established by a USTDA grant of U.S. \$573,000 dollars.

1.4 CONTRACT FUNDED BY USTDA

The negotiated contract will be funded by USTDA in accordance with the terms and conditions of its grant to the Grantee. The contract must include certain USTDA mandatory clauses relating to nationality, taxes, payment, reporting, and other matters. The USTDA nationality requirements and the USTDA mandatory clauses are attached at Annexes 3 and 4 for reference.

Section 2: INSTRUCTIONS TO PROPOSERS

2.1 PROJECT TITLE

The project is called the "State of Minas Gerais Tancredo Neves International Airport – TNIA Network Master Plan Project."

2.2 DEFINITIONS

Please note the following definitions of terms as used in this RFP.

The term "Request for Proposals" means this solicitation of a formal technical proposal including qualifications statement.

The term "Offeror" means the U.S. individual, or U.S. firm, including any and all subcontractors, which responds to the RFP and submits a formal proposal and which may or may not be successful in being awarded this procurement.

2.3 DEFINITIONAL MISSION REPORT

USTDA sponsored a Definitional Mission to address technical, financial, sociopolitical, environmental and other aspects of the proposed project. A copy of the Report is attached at Annex 2 for background information only.

2.4 EXAMINATION OF DOCUMENTS

Offerors should carefully examine this RFP. It will be assumed that Offerors have done such inspection and that through examinations, inquiries and investigation they have become familiarized with local conditions and the nature of problems to be solved during the execution of the Technical Assistance.

Offerors shall address all items as specified in this RFP. Failure to adhere to this format may disqualify an Offeror from further consideration.

Submission of a proposal shall constitute evidence that the Offeror has made all the above mentioned examinations and investigations, and is free of any uncertainty with respect to conditions which would affect the execution, and completion of the Technical Assistance.

2.5 PROJECT FUNDING SOURCE

The Technical Assistance will be funded under a grant from USTDA. The total amount of the grant is not to exceed U.S. \$573,000 dollars.

2.6 RESPONSIBILITY FOR COSTS

Offeror shall be fully responsible for all costs incurred in the development and submission of the proposal or any other cost incurred by Offeror prior to issuance of an agreement or contract. Neither USTDA nor the Grantee assumes any contractual obligation as a result of the issuance of this proposal request, the preparation or submission of a proposal by an Offeror, the evaluation of proposals, or final selection.

2.7 TAXES

Offerors should submit proposals which note that in Annex 4, USTDA Mandatory Contract Provisions, USTDA funds are not to be used to pay taxes or duties under the laws of host country.

2.8 CONFIDENTIALITY

The Grantee will use its best efforts to preserve the confidentiality of any business proprietary or confidential information submitted by the Offeror, which is clearly designated as such by the Offeror.

2.9 ECONOMY OF PROPOSALS

Proposal documents should be prepared simply and economically, providing a comprehensive and concise description of the Offeror's capabilities to satisfy the requirements of the RFP. There is no necessity for expensive bindings, colored displays, or other promotional material unless such material is absolutely pertinent to the proposal. Emphasis should be placed on completeness and clarity of content.

2.10 SUBSTANTIVE PROPOSALS

The Offeror shall certify (a) that its proposal is genuine and is not made in the interest of, or on the behalf of, any undisclosed person, firm, or corporation, and is not submitted in conformity with, and agreement of, any undisclosed group, association, organization, or corporation; (b) that it has not directly or indirectly induced or solicited any other Offeror to put in a false proposal; (c) that it has not solicited or induced any other person, firm, or corporation to refrain from submitting a proposal; and (d) that it has not sought by collusion to obtain for himself any advantage over any other Offeror or over the Grantee or USTDA or any employee thereof.

2.11 CONDITIONS REQUIRED FOR PARTICIPATION

Only U.S. firms are eligible to participate in this tender. However, U.S. firms may utilize subcontractors from host country for up to 20 percent of the amount of the USTDA grant. USTDA nationality requirements are detailed in Annex 3.

2.12 LANGUAGE OF PROPOSAL

All proposal documents shall be prepared and submitted in English and Portuguese.

2.13 PROPOSAL SUBMISSION REQUIREMENTS

The **Cover Letter** in the proposal must be addressed to:

Subsecretaria de Assuntos Internacionais
Secretaria de Estado de Desenvolvimento Econômico
Rua Rio de Janeiro, 471 - 16º andar
31160-040 Belo Horizonte - MG
Brazil

Phone: (55-31) 3270 9370

The original printed versions (in English and in Portuguese) and an additional digital copy in each language in CD or DVD-ROM (PDF format) must be sent to the above address no later than 4:00 pm (local time), on November 10, 2009.

Proposals may be either sent by mail, overnight courier, or hand-delivered. Whether the proposal is sent by mail, courier or hand-delivered, the Offeror shall be responsible for actual delivery of the proposal to the above address before the deadline. Any proposal received after the deadline will be returned unopened.

Upon timely receipt, all proposals become the property of the Grantee.

2.14 PACKAGING

Each proposal must be sealed to ensure confidentiality of the information. The proposals should be individually wrapped and sealed, and labeled for content including "original" or "copy number x"; the original in each language (English and Portuguese) and one (1) digital copy in each language should be collectively wrapped and sealed, and clearly marked for content.

Neither USTDA nor the Grantee will be responsible for premature opening of proposals not properly labeled.

2.15 AUTHORIZED SIGNATURE

The proposal must contain the signature of a duly authorized officer or agent of the Offeror empowered with the right to bind the Offeror.

2.16 EFFECTIVE PERIOD OF PROPOSAL

The proposal shall be binding upon the Offeror for sixty (60) days after the proposal due date, and Offeror may withdraw or modify this proposal at any time prior to the due date upon written request, signed in the same manner and by the same person who signed the original proposal.

2.17 EXCEPTIONS

Firms agree by their response to the RFP announcement to abide by the procedures set forth therein. Material modifications in the TOR or responsibilities of the parties will not be accepted.

Any exceptions in the proposal shall be clearly identified, and shall include the scope of such exception, and its impact, on the procurement. The Grantee shall make final determination as to the responsiveness of such exceptions and their acceptability.

2.18 OFFEROR QUALIFICATIONS

As provided in Section 3, Offerors shall submit evidence that they have relevant past experience and have previously delivered advisory and Technical Assistance services similar to those required in the TOR.

2.19 RIGHT TO REJECT PROPOSALS

The Grantee reserves the right to reject any and all proposals and to accept or reject any or all of the items in the proposal, and to award the contract in whole or in part if it is deemed in the best interest of the Grantee.

2.20 PRIME CONTRACTOR RESPONSIBILITY

Offerors have the option of subcontracting parts of the services they propose. The Offeror's proposal must include a description of any anticipated subcontracting arrangements, including the name, address, and qualifications of consultants and subcontractors. USTDA nationality provisions are set forth in detail in Annex 3. The successful Offeror shall cause appropriate provisions of its contract, including all mandatory USTDA clauses, to be inserted in all subcontracts ensuing to ensure fulfillment of all contractual provisions by subcontractors.

2.21 AWARD

An award resulting from this RFP shall be made to the best qualified Offeror, taking into consideration the evaluation factors set forth herein; however, the right is reserved to reject any and all proposals received and, in all cases, the Grantee will be the judge as to whether a proposal has or has not satisfactorily met the requirements of this RFP.

2.22 COMPLETE SERVICES

The successful Offeror shall be required to (a) furnish all supplies, supervision, transportation, and other execution accessories, services, and facilities; (b) provide and perform all necessary labor; and (c) in accordance with good technical practice, with due diligence, and in accordance with the requirements, stipulations, provisions and conditions of this RFP and the resultant contract, execute and complete all specified work to the satisfaction of the Grantee.

2.23 INVOICING AND PAYMENT

Deliverables under the contract shall be delivered on a schedule to be agreed upon in a contract with the Grantee. The Contractor may submit invoices to the designated Grantee Project Director in accordance with a schedule to be negotiated and included in the contract. Upon approval of each invoice, the Grantee will forward the invoice to USTDA which will process payment to the Contractor. All payments by USTDA under the Grant Agreement will be made in U.S. currency.

Section 3: PROPOSAL FORMAT AND CONTENT

To expedite proposal review and evaluation, and to assure that each proposal receives the same orderly review, all proposals must follow the format described in this section.

Proposal sections and pages shall be appropriately numbered and the proposal shall include a Table of Contents. Offerors are encouraged to submit concise and clear responses to the RFP. Proposals shall contain all elements of information requested without exception. Instructions regarding the required scope and content are given in this section. The Grantee reserves the right to include any part of the selected proposal in the final contract.

The proposal shall consist of a technical proposal only. No cost proposal is required as the value of the USTDA grant is established at U.S. \$573,000 dollars.

Offerors shall submit one (1) original in each language (English and Portuguese) and one (1) digital copy in each language of the proposal. Proposals received by fax cannot be accepted.

The following sections and content are required for each proposal:

- Transmittal Letter,
- Cover/Title Page,
- Table of Contents,
- Introduction and Executive Summary,
- Company Information,
- Organizational Structure, Management Plan, and Key Personnel,
- Technical Approach and Work Plan,
- Experience and Qualifications, and
- Miscellaneous.

Detailed requirements and directions for the preparation of each section are presented below.

3.1 SECTION 1: INTRODUCTION AND EXECUTIVE SUMMARY

An Executive Summary should be prepared describing the major facts or features of the proposal, including any conclusions, assumptions, and generalized recommendations the Offeror desires to make. Offerors are requested to make every effort to limit the length of the Executive Summary to no more than five (5) pages.

3.2 SECTION 2: COMPANY INFORMATION

3.2.1 Company Profile

Provide the information listed below relative to the Offeror's firm. If the Offeror is proposing to subcontract some of the proposed work to another firm(s), similar information must be provided for each subcontractor. Offerors are requested to limit the length of the Company Profile Information to one (1) page per firm.

1. Name of firm and business address, including telephone and fax numbers.
2. Year established (include former firm names and year established, if applicable).
3. Type of ownership and parent company, if any.
4. Project Manager's name, address, telephone and fax number, if different from (1).

3.2.2 Offeror's Authorized Negotiator

Provide name, title, address, telephone and fax number of the Offeror's authorized negotiator. The person cited shall be empowered to make binding commitments for the Offeror and its subcontractors, if any.

3.2.3 Negotiation Prerequisites

1. Discuss any impact of any current or anticipated commitments which may impact the ability of the Offeror or its subcontractors to complete the Technical Assistance as proposed and within the project schedule.
2. Identify any specific information which is needed from the Grantee before commencing contract negotiations.

3.3 SECTION 3: ORGANIZATIONAL STRUCTURE, MANAGEMENT, AND KEY PERSONNEL

Describe the Offeror's proposed project organizational structure. Discuss how the project will be managed including the principal and key staff assignments for this Technical Assistance. Identify the Project Manager who will be the individual responsible for this project. The Project Manager must have the responsibility and authority to act on behalf of the Offeror in matters related to the proposed Technical Assistance.

Provide a listing of personnel (including subcontractors and consultants) to be engaged in the project, either U.S. or local with the following information for key staff: position in the project; pertinent experience, curriculum vitae; other relevant information. If subcontractors are to be used, the organizational relationship between the firms must be described.

A manpower schedule and the level of effort for the project period, by activities and tasks, as detailed under the Work Plan shall be submitted. A statement confirming the availability of the proposed project manager and key staff over the duration of the project must be included in the proposal.

3.4 SECTION 4: TECHNICAL APPROACH AND WORK PLAN

Describe in detail the proposed technical approach and work plan. Discuss the project requirements as perceived by the Offeror. Include a brief narrative of tasks within each activity series. Begin with the information gathering phase and continue through delivery and approval of all required reports.

Prepare a detailed schedule of performance that describes all activities and tasks within the Technical Work Plan, including periodic reporting or review points, incremental delivery dates, and other project milestones.

Based on the Technical Work Plan, and previous project experience, explain when and where Offeror will require support from the Grantee. Detail the amount of staff time required by the Grantee or participating agencies and any work space or facilities needed to complete the Technical Assistance.

3.5 SECTION 5: EXPERIENCE AND QUALIFICATIONS

Provide a discussion of the Offeror's experience and qualifications which are relevant to the objectives and TOR for the Technical Assistance. If a subcontractor(s) is being used, similar information must be provided for the prime and each subcontractor firm proposed for the project. Relevant experience and qualifications of key staff proposed shall be provided including letters of commitment from the individuals proposed concerning their availability for contract performance.

As many as possible but not more than six (6) relevant and verifiable project references must be provided, including the following information:

- Project name,
- Name and address of client (indicate if joint venture),
- Client contact person (name/ position/ current phone and fax numbers),
- Period of Contract,
- Description of services provided,
- Dollar amount of Contract, and
- Status and comments.

Offerors are strongly encouraged to include in their experience summary primarily those projects that are similar to or larger in scope than the Technical Assistance as described in this RFP.

Section 4: AWARD CRITERIA

Individual proposals will be initially evaluated by a Procurement Selection Committee of representatives from the Grantee. The Committee will then conduct a final evaluation and completion of ranking of qualified Offerors, and the Grantee shall promptly negotiate a contract with the best qualified Offeror. If a satisfactory contract cannot be negotiated with the best qualified Offeror, negotiations will be formally terminated. Negotiations shall then be undertaken with the second most qualified Offeror and so forth.

The selection of the Contractor will be based on the following criteria:

1. Technical Experience (40 percent)

Proposals will be evaluated with regard to the experience demonstrated for each of the key staff. Staff experience rather than firm experience is the key factor in this evaluation. Assigned staff should demonstrate proven experience in:

- a. Economic and demographic evaluations of demand generators for aviation services.
- b. Airport planning for domestic and international services at airports with activity levels on the order of 30 million total annual passengers.
- c. Airports accommodating the range of air carrier and regional airline aircraft in use and planned for TNIA in the next 10 years.
- d. Planning airports that encompass the collateral development of industrial and commercial facilities on and in proximity to the airport.
- e. Air freight /express/mail market and trade flow assessments (types and amounts of goods, aircraft in service) within the State of Minas Gerais, and between Brazil and Mercosul, Latin America, North America and global markets.
- f. Phasing plans for airport development programs.
- g. Design, specifications and implementation of passenger and baggage security screening systems.
- h. Design, specifications and implementation of baggage and air cargo/freight/express sorting facilities.
- i. Design, specifications and implementation of flight and baggage information display systems, common use terminal equipment, and information technology systems integration.
- j. Preparation of plans and specifications for the installation of passenger loading bridges, 400 Hz power and pre-conditioned air.

- k. Preparation of plans and specifications for ground support equipment and facilities.
- l. Working knowledge of planning and design best practices and standards issued by International Civil Aviation Organization and the US Federal Aviation Administration.

2. Project Understanding, Methodology and Approach (25 percent)

The evaluation will consider the appropriateness of the technical and management approach to the Study and the overall quality and responsiveness to the request for proposal. This includes a demonstrated understanding of the Airport Master Plan Study (objectives, methodology and output) and a clear and succinct description regarding how the Study will be executed including interaction with MG staff. Suggestions should be offered as it relates the Master Plan revision process achieving the project objectives and effective movement toward implementation. These suggestions should reflect the experience of the assigned staff as it relates to the Airport Master Plan Study.

3. Financial Experience (30 percent)

Experience with the development and analysis of airport capital expenditure programs including financial modeling are critical to the process to discern financial viability. Specific experience with Brazilian and cross border financing for airport and other infrastructure projects is essential to the process of identifying feasible financing options. This also includes familiarity with the programs offered by multilateral and bilateral institutions.

4. Language (5 percent)

Assigned staff Portuguese language skills will be a consideration, but not an overriding factor, in the selection process.

Proposals which do not include all requested information may be considered non-responsive.

Price will not be a factor in contractor selection.

ANNEX 1

Danilo Colares de A. Moreira, Diretor da Plataforma Logistica de Comércio Exterior,
Subsecretaria de Assuntos Internacionais, Secretaria de Estado de Desenvolvimento
Econômico, Rua Rio de Janeiro, 471 - 16º andar, 31160-040, Belo Horizonte, MG, Brazil
Phone: (55-31) 3270 9370

B - Brazil: State of Minas Gerais Tancredo Neves International Airport – TNIA
Network Master Plan

POC John Kusnierek, USTDA, 1000 Wilson Boulevard, Suite 1600, Arlington, VA 22209
3901, Tel: (703) 875-4357, Fax: (703) 875-4009. STATE OF MINAS GERAIS
TANCREDO NEVES INTERNATIONAL AIRPORT – TNIA NETWORK MASTER
PLAN. The Grantee invites submission of qualifications and proposal data (collectively
referred to as the "Proposal") from interested U.S. firms which are qualified on the basis of
experience and capability to develop a technical assistance for the Tancredo Neves
International Airport – TNIA Network Master Plan project for the State of Minas Gerais
Transport and Economic Development Secretariat.

The State of Minas Gerais has a land mass that exceeds that of France and is the third largest
economy in Brazil. The State also accounts for 10% of total Brazilian GDP. It has a
diversified economy including mining, tourism, automotives, and agriculture. The Tancredo
Neves International Airport (TNIA), which serves Belo Horizonte, the capital of Minas
Gerais, plays an integral part in the economic development of the region.

In 2007, TNIA handled 4.3 million passengers and 55,491 flights (up from 10,650 in 2004),
making it the seventh busiest airport for passenger traffic in Brazil. While demand for airport
capacity has steadily increased, there has not been a major expansion or update to the Master
Plan for TNIA since 1985. As there are plans to invest \$1.3 billion in capital expenditures
over the next eight years, the Economic Development Secretariat requested USTDA
assistance in updating the Master Plan to both guide and validate the expansion. Among the
broad objectives of the Master Plan are:

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air traffic demand;
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recommended projects.

On a more detailed level, the Master Plan will analyze forecasted passenger and cargo
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storage facilities.

An important element of the Master Plan update is the market analysis that will address the
required investment in air cargo and related facilities to support the anticipated increase in
economic activity at TNIA. The Terms of Reference will address the market analysis and
will also include a task dedicated to making strategic recommendations for public-private

partnerships, or some form of traditional outsourcing contract. The Master Plan will serve as an investment promotion tool to attract private sector participation and create a roadmap of development for any potential future private partner.

The U.S. firm selected will be paid in U.S. dollars from a \$573,000 grant to the Grantee from the U.S. Trade and Development Agency (USTDA).

A detailed Request for Proposals (RFP), which includes requirements for the Proposal, the Terms of Reference, and a background definitional mission report are available from USTDA, at 1000 Wilson Boulevard, Suite 1600, Arlington, VA 22209-3901. To request the RFP in PDF format, please go to:

<https://www.ustda.gov/USTDA/FedBizOpps/RFP/rfpform.asp>. Requests for a mailed hardcopy version of the RFP may also be faxed to the IRC, USTDA at 703-875-4009. In the fax, please include your firm's name, contact person, address, and telephone number. Some firms have found that RFP materials sent by U.S. mail do not reach them in time for preparation of an adequate response. Firms that want USTDA to use an overnight delivery service should include the name of the delivery service and your firm's account number in the request for the RFP. Firms that want to send a courier to USTDA to retrieve the RFP should allow one hour after faxing the request to USTDA before scheduling a pick-up. Please note that no telephone requests for the RFP will be honored. Please check your internal fax verification receipt. Because of the large number of RFP requests, USTDA cannot respond to requests for fax verification. Requests for RFPs received before 4:00 PM will be mailed the same day. Requests received after 4:00 PM will be mailed the following day. Please check with your courier and/or mail room before calling USTDA.

Only U.S. firms and individuals may bid on this USTDA financed activity. Interested firms, their subcontractors and employees of all participants must qualify under USTDA's nationality requirements as of the due date for submission of qualifications and proposals and, if selected to carry out the USTDA-financed activity, must continue to meet such requirements throughout the duration of the USTDA-financed activity. All goods and services to be provided by the selected firm shall have their nationality, source and origin in the U.S. or host country. The U.S. firm may use subcontractors from the host country for up to 20 percent of the USTDA grant amount. Details of USTDA's nationality requirements and mandatory contract clauses are also included in the RFP.

Interested U.S. firms should submit their Proposal in English and Portuguese directly to the Grantee by 4:00pm (local time), November 10, 2009 at the above address. Evaluation criteria for the Proposal are included in the RFP. Price will not be a factor in contractor selection, and therefore, cost proposals should NOT be submitted. The Grantee reserves the right to reject any and/or all Proposals. The Grantee also reserves the right to contract with the selected firm for subsequent work related to the project. The Grantee is not bound to pay for any costs associated with the preparation and submission of Proposals.

ANNEX 2

Definitional Mission Study

BRAZIL – AVIATION SECTOR PROJECT

In accordance with the requirements of:

Contract Number USTDA-CO2008510015

Prepared by:



Airport & Aviation Consultants

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November 17, 2008



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Mailing and Delivery Address: 1000 Wilson Boulevard, Suite 1600, Arlington, VA 22209-2131
Phone: 703-875-4357 • Fax: 703-875-4009 • Web site: www.tda.gov • E-mail: info@tda.gov



The U.S. Trade and Development Agency

The U.S. Trade and Development Agency (USTDA) advances economic development and U.S. commercial interests in developing and middle income countries. The agency funds various forms of technical assistance, early investment analysis, training, orientation visits and business workshops that support the development of a modern infrastructure and a fair and open trading environment.

USTDA's strategic use of foreign assistance funds to support sound investment policy and decision-making in host countries creates an enabling environment for trade, investment and sustainable economic development. Operating at the nexus of foreign policy and commerce, USTDA is uniquely positioned to work with U.S. firms and host countries in achieving the agency's trade and development goals. In carrying out its mission, USTDA gives emphasis to economic sectors that may benefit from U.S. exports of goods and services.

**Mailing and Delivery Address: 1000 Wilson Boulevard, Suite 1600, Arlington, VA 22209-3901
Phone: 703-875-4357 • Fax: 703-874-4009 • Web site: www.tda.gov • Email: info@tda.gov**

BRAZIL DEFINITIONAL MISSION AVIATION SECTOR

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BRAZIL: AVIATION DEFINITIONAL MISSION

INTRODUCTION

The United States Trade and Development Agency awarded QED Airport & Aviation Consultants a professional services contract to conduct a Definitional Mission Study USTDA-CO2008510015 (DM) that will seek to identify opportunities and recommend Feasibility Studies and other strategies that could lead to greater U.S. participation in the Brazilian Aviation Sector.

Per the DM Contract, the QED Team of Messrs. Ronald F. Price and Clarence S. Haynes traveled to Brazil and assessed prospective airport projects involving the Brazilian state owned airport company, INFRAERO; the Government of the Federal District (GDF); and the State of Minas Gerais. The QED Team held meetings and discussions with among others, Project Sponsors, Brazilian Government officials, U.S. Embassy and Consulate officials, prospective users, potential U.S. suppliers of goods and services, and members of the Brazilian and international financial community. Prior to their DM trip, the QED Team conferred with U.S. firms that could provide goods and services to the aviation sector and discussions were held with Ex-Im Bank, OPIC, and private sector financial institutions regarding their assessment of the Brazilian economy and their financing posture toward Brazil and the aviation sector. At the end of the DM trip, the QED Team met briefed Ms. Rebecca Armand and Ms. Daniele Andrews at the U.S. Embassy and Mr. Ruy Baptista at the U.S. Commercial Office in Belo Horizonte on our findings and conclusions.

The DM Final Report herein will provide a description of the Brazilian Aviation Sector and will discuss the current and imminent changes that are taking place in the sector. In a broad sense, these changes involve civil aviation administration; ownership and management of airports including the prospect for greater participation by the private sector; and the need to address the movement of the growing level of airfreight and other cargo exported to and from Brazil.

The need to effect change has been largely brought about by the recent favorable growth trend of the Brazilian economy, thereby necessitating action on the part of regulators and key players in the sector to assure effective and safe management of air traffic growth and infrastructure expansion for the world's fourth largest domestic aviation market. As part of its effort to define how these changes take place, the Brazilian Government has mandated BNDES to consider various options including greater private sector participation in the aviation sector through concessions and the possible listing of INFRAERO shares on the BOVESPA and perhaps international exchanges.

Notwithstanding the global economic and financial crisis, the Brazilian Government still maintains infrastructure as a priority albeit at a slower pace. Consequently, it is felt that this could be an opportune time for U.S. business interests to more actively explore U.S. export and investment opportunities in this dynamic sector. These opportunities are further supported by a high level of interest on the part of the private sector and multilateral/bilateral institutions to consider committing significant levels of long term cross border and domestic capital to viable airport and other infrastructure projects.

Taking these factors into account, this DM Final Report will provide the findings, conclusions, and recommendations that include among others:

1. Assessment of the various projects covering their respective costs, implementation financing options, environmental and developmental impact implications, and those best suited for US suppliers of goods and services.
2. Terms of Reference, contractor qualifications, and budgets for the proposed projects.
3. Other recommendations including orientation visits that the DM considers critical to the strategic success of US business interests participating in the development and upgrade of this sector.

PROJECTS FOR USTDA CONSIDERATION

During the Definitional Mission, the QED Team reviewed and considered the following projects:

1. **PROAERO (Minas Gerais):** Prior to the DM, the State of Minas Gerais requested USTDA support for Programa Aeroviário do Estado de Minas Gerais or Aviation Plan for the State of Minas Gerais (PROAERO), which is intended to address capital improvements for up to 162 airports which are operated by the State of Minas Gerais. The request entails a review and update of the current PROAERO plan, which was completed by Transport and Public Works Secretariat (SETOP) staff in 2000 and covered the period 2000-2019. The update would address the timeframe of 2008 to 2028. State authorized capital expenditures cover the period 2007 to 2011 thereby providing ample funds to finance the remaining projects to be implemented.
2. **Confins Master Plan/Air Cargo Hub Study:** During meetings with the Economic Development Secretariat and the Transport Secretariat of the State of Minas Gerais, there was a request for a revised Master Plan for the Tancredo Neves International Airport (Confins) that principally serves the Belo Horizonte area in the State of Minas Gerais. The Master Plan, which was last prepared in 1985, covered a 25-year planning horizon. The current Master Plan includes the construction of two additional runways, new terminals, and space to accommodate maintenance and cargo facilities. The planned capital program at Confins also includes the creation of "Airport City", an industrial park intended to attract export-oriented manufacturing and assembly operations to Minas Gerais. Combining these new market entrants with existing exporters could create the basis for increasing the volume of Brazilian and export shipments from Confins. The key rationale for updating this Master Plan is to discern whether the business outlook for Confins is supportive of the capital program, which currently is estimated to exceed the equivalent to US\$ 1.3 billion over the next 8 years.
3. **GDF Brasilia Hub Facility:** Prior to the DM, the Government of the Federal District (GDF) requested USTDA assistance to support an air cargo hub facility at Brasilia International Airport. It is the goal of GDF to develop this hub as part of an effort to diversify the local economy by attracting more manufacturing and assembly operations. The cargo hub facility would be supported by industrial zones in and around Brasilia and as part of its effort to attract investors to these zones, GDF would offer tax and other incentives.
4. **INFRAERO Pavement Management Program:** Prior to the DM, there was a request for support by INFRAERO to provide assistance with compliance of their existing airfield pavement standards with those of the US Federal Aviation Administration and the International Civil Aviation Organization. The technical assistance would also address the

adequacy of the pavement management program currently utilized by INFRAERO. Additionally, during meetings and discussions with INFRAERO, the QED Team learned that INFRAERO was also seeking technical assistance in the design of pavements in the Amazon Region where the transport of construction materials and equipment is limited to river transport. During periods of low precipitation, the ability to transport these materials becomes difficult and, consequently, INFRAERO has been looking into the use of interlocking blocks to establish a reliable, all-weather landing surface.

5. **INFRAERO Simulation Software:** During meetings and discussions with INFRAERO, there were requests for assistance to secure airside, landside and terminal facilities simulation models. This model would be applied to all 67 airports managed by INFRAERO.
6. **INFRAERO Sao Paulo Guarulhos Terminal 3 Project:** During meetings and discussions with INFRAERO, there was a request to assist with oversight of the planning and design process for the estimated US\$ 1 billion Terminal 3 project at the Guarulhos International Airport serving São Paulo. Terminal 3 is intended to operate 20 gates serving 12 million total passengers annually.

RECOMMENDATIONS

Based on its findings and conclusions, the QED Team recommends the following:

1. **Technical Assistance - PROAERO Program (Minas Gerais):** USTDA extends a US\$240,900 grant to the Transport Secretariat of the State of Minas Gerais to fund Technical Assistance in support of the SETOP staff review and update to PROAERO. This Technical Assistance will aid the State of Minas Gerais in defining a system plan to enhance access to the air transportation network within the State and regional link to neighboring Brazilian states. It is estimated that the equivalent to US\$ 14 million of the requisite goods and services can be provided by U.S. suppliers. The planned PROAERO capital expenditure program includes goods and services that can be provided by US suppliers. The Technical Assistance grant also provides for participation in the preparation of tender documents (plans and specifications) for the acquisition and installation of certain basic airport facility improvements. This improves the opportunity for U.S. companies to participate in the program implementation.
2. **Feasibility Study - Confins Master Plan Update:** USTDA extends a US\$ 573,200 grant supporting the State of Minas Gerais in updating the Master Plan for Tancredo Neves International Airport (Confins), which was opened in 1984. The Confins Master Plan that was last prepared in 1985 will be a framework for the program to improve and expand the landside and airside operations of Confins. The Master Plan Study will consider the physical and technical aspects of improvements in a manner that meets international design standards. Updating the Airport Master Plan at this juncture is important as there are plans for the State of Minas Gerais in cooperation with INFRAERO to undertake the equivalent to US\$ 1.3 billion in capital expenditures over the next 8 years. These expenditures include the expansion of the existing runway, construction of a second runway and new terminal construction. These expenditures also present opportunities for U.S. suppliers to provide goods and services in an estimated amount of US\$ 30 million to US\$ 40 million or about 2 percent of planned expenditures. The Master Plan Study will help validate or modify the capital program associated with these substantive expenditures.

- 3. Technical Assistance - INFRAERO Sao Paulo Guarulhos Terminal 3 Project:** USTDA extends a US\$445,600 grant for Technical Assistance oversight for the planning and design phase required prior to the construction phase for the São Paulo Guarulhos International Airport Terminal 3 Project. The Technical Assistance will aid INFRAERO with the process of review and evaluation of the planning and design phases associated with the construction of São Paulo Guarulhos International Airport Terminal 3.

Note that the actual provision of this Technical Assistance would be deferred until INFRAERO formally announces the Tender for the Planning and Design Phase. The announcement will in all likelihood take place within the next 3 to 4 months.

The opportunity for U.S. companies to participate in the program will be enhanced inasmuch as the Technical Assistance grant will include participation in the preparation of tender documents (plans and specifications) for the acquisition and installation of certain basic airport facility improvements. It is estimated that of the planned Real 1.5 billion (equivalent to US \$1 billion) Terminal 3 expenditures, the equivalent to US\$ 260 million of the requisite goods and services can be provided by U.S. suppliers.

- 4. GDF Brasilia Cargo Hub Facility:** Further review is warranted prior to USTDA giving consideration to support a Cargo Hub Study for GDF. This review requires further analysis regarding the likelihood of GDF's strategy to attract in a reasonable timeline, a critical mass of entities to the planned industrial parks, which could favorably support a capital program for the envisioned cargo hub operation, be it at the existing airport (BSB) or a new site. In addition, preliminary analysis is required regarding the implications of numerous factors including a) current and projected air freight and express traffic volumes and type by origin and destination (Brazil/South America/other International); b) current and future authorized air routes and airlines and the bilateral issues surrounding these routes; and c) competing trans-shipment hub locations in Brazil and neighboring South American countries. In this regard, an analysis of this nature would be beneficial to GDF or other airports. As such, a study of this nature might be better suited for an overarching body at the national level.
- 5. Referral - INFRAERO Pavement Management Program:** The nature of this request only requires a recommendation of U.S. engineering firms that specialize in pavement management. Accordingly, the QED Team provided INFRAERO and Ms. Daniele Andrews, U.S. Commercial Office, Brasilia with a list of recommended U.S. firms that could assist INFRAERO with pavement management issues.
- 6. Referral - INFRAERO Simulation Software:** USTDA support is not required. Instead, the QED Team has provided INFRAERO and Ms. Daniele Andrews, U.S. Commercial Office, Brasilia with a list of recommended U.S. firms that provide simulation software.

BRAZILIAN ECONOMY¹

Brazil, one of the world's top 10 economies, has experienced favorable economic growth over the past 5 years including significant strides in the growth and development in particular in its industrial,

¹ Banco Santander New York, Ernest W Brown, Head Economist, March 2008

petroleum and mining, and agricultural sectors. This includes the economy benefiting from growing levels of domestic oil production and from many years of research and investment in ethanol technology and production, thereby reducing its dependency on the import of foreign oil imports.

	Value (US\$ billion)			
	2004	2005	2006	2007 est.
Gross Domestic Product	663.8	882.4	1,072.0	1,314.0
Exports	96.5	118.3	137.5	160.7
Imports	62.8	73.5	91.4	120.6
Net	33.7	44.8	46.1	40.1
Current Account Balance	11.6	14.2	13.5	1.5
Foreign Direct Investment	18.2	15.2	18.8	34.6
International Reserves	52.9	53.8	85.8	180.3

It should be noted that earlier this year, there were concerns regarding inflation that led to a tightened monetary policy by Banco Central do Brasil. Also, import growth began to squeeze the trade balance, which has Brazil moving toward a current account deficit for 2008. Despite this Standard & Poor's recently decided to upgrade the country's credit rating to investment grade. Consequently, institutional money, which is mostly barred from investing in countries with non-investment grade ratings, could now invest in Brazil.

Brazil however, has not escaped the problems plagued by both developed and developing countries. Foreign credit lines utilized to finance trade have been squeezed and in an effort to provide liquidity the U.S. Federal Reserve extended \$30 billion swap lines to each of the central banks of South Korea, Singapore, Brazil and Mexico that will last until April 30, 2009. Moreover, no different from what is occurring in the U.S. there has been a consolidation of banks including the acquisition of UNIBANCO (the third largest private bank) by Banco Itaú (the second largest bank), making the banking group the second largest bank in Brazil behind federally owned Banco do Brasil. The crisis has also dampened the flow of foreign capital into Brazil and this will slow down the level of direct foreign investment in infrastructure, but that void in part, could be picked up by multilateral and bilateral institutions. Notwithstanding, the long term view is that airports and other infrastructure projects will continue to be a priority of the Brazilian Government.

BRAZILIAN AVIATION SECTOR

General Overview: The Brazilian Aviation Sector is a well developed and dynamic sector that has played a significant role in the growth and expansion of the Brazilian economy.

The **National Civil Aviation Agency of Brazil (ANAC)** has become the civil aviation authority in Brazil. ANAC mandate is to: (i) regulate, inspect and supervise services rendered by airlines operating in Brazil, (ii) grant concessions, permits and authorizations for air transport operations and airport infrastructure services, (iii) represent the Brazilian government before international civil aviation organizations, (iv) control, register and inspect civil aircraft, and (v) ensure that air transportation services are provided under free market principles.

Key components of the Aviation Sector comprise the following:

1. **Airport Infrastructure:** The design, construction and operation of major landside and airside airport operations and air traffic management are currently the domain of.

INFRAERO. There also exist numerous state, municipal, and privately owned airports both paved and unpaved. To support this sector, there are a number of Brazilian and foreign firms engaged in providing equipment and other services. Note however, Brazilian engineering firms are extremely capable in the design and construction aspects of airports. These firms are now becoming more involved in providing financing as they are mobilizing funds in anticipation of privatization of airport and other infrastructure intensive sectors.

2. **Passenger Airline Service:** Brazil is the fourth largest domestic aviation market in the world. Brazilian owned and operated domestic and international commercial airline service dominated by two major carriers-TAM and GOL. At December 31, 2006, TAM's share of the domestic market was 49.1% in terms of RPK, while that of GOL was 37.1%². Also, JetBlue Airways Inc. founder David Neeleman on recently announced plans to start a discount airline in Brazil. Neeleman has ordered US\$1.4 billion worth of E-195 jets from Brazil's Embraer but still must receive approval from the government for an operating permit. Internationally, Brazil is served by major international carriers and U.S. carriers include American, Continental Delta, and United, essentially serving São Paulo and Rio de Janeiro. Note that the U.S./Brazilian Bilateral allowed for bids for new routes in which the awards are imminent.
3. **Air Cargo Service**³ is the fastest growing segment of the aviation market, registering more than 50 percent growth rates between 2001 and 2005. In particular, there has been strong growth in MERCOSUL and Brazilian commercial transactions with the Northern Hemisphere. In these transactions, goods shipped as air cargo are usually of high value and/or are time sensitive. Electronic, aircraft parts and automobile components and parts have contributed significantly to the growth of the air cargo market in Brazil. Flowers and fruits, while not high value, are time sensitive have also contributed to sector development. The most significant of INFRAERO's cargo operation is Viracopos International Airport in Campinas, São Paulo, which as a result of the São Paulo's significant economic activity operates as a huge wholesale airport with the capacity to move an extremely large volume of air cargo. Other airports with significant activity include Guarulhos International Airport in Sao Paulo, Manaus, and Galeão in Rio de Janeiro in that order. As the Brazilian economy expands, there is the potential for increased cargo activity at these airports, but going forward, other airports including Confins, Salvador, Curitiba, and Fortaleza could experience greater activity. Domestic air cargo operations are dominated by TAM, GOL, and VarigLog International passenger air service is provided by the Brazilian carriers and major international carriers including U.S. Carriers (American Airlines, United Airline, Delta Airlines, and Continental Airlines), European, Asian, and African carriers. International cargo is transported by these carriers (underbelly) and by FedEx, UPS, DHL, and Lufthansa.
4. **Ground services:** Ground services are primarily provided by TAM, GOL, and Swissport.
5. **Aircraft Manufacturing:** Manufacture of civil and military aircraft and spare parts dominated by Embraer, which is the third largest manufacturer of aircraft behind Boeing and Airbus/
6. **Aircraft and engine maintenance:** The market has developed as a result of the significant number of aircraft operating in Brazil as well as those manufactured by Embraer. All major engine manufacturers have a local presence in Brazil, and employ a domestic workforce

² Source: National Civil Aviation Agency of Brazil

³ Department of Commerce Market Research Air Cargo Transportation Market January 2005

which has the requisite skill sets for maintenance. Both GOL and TAM have aircraft maintenance facilities that not only maintain their respective fleets, but also the fleets of other Brazilian and South American carriers. GOL has plans to expand its maintenance facility at Confins in Minas Gerais.

PROJECT: MASTER PLAN -TANCREDO NEVES INTERNATIONAL AIRPORT

Executive Summary

USTDA contracted QED Airport Consultants to conduct a Definitional Mission Study USTDA-CO2008510015 (DM) to identify opportunities and recommend Feasibility Studies and other strategies that could lead to greater U.S. participation in the Brazilian Aviation Sector. This included assessing whether or not USTDA should support aviation sector projects in the State of Minas Gerais.

The QED Team traveled to Belo Horizonte in the State of Minas Gerais to meet with government officials from the Transport and Public Works Secretariat (SETOP) and the Economic Development Secretariat (SEDE). We were accompanied by Mr. Ruy Baptista, Trade Specialist with the U.S. Commercial Service, Belo Horizonte, Brazil. During our meeting with SEDE, we discussed in depth the plans that the State of Minas Gerais had for expanding the operations of Tancredo Neves International Airport in particular, their need for support to update the Master Plan that was last revised in 1985. The QED Team discussed in detail, the capital investment program of a variety of projects over the next eight years. They included extension of the current runway and the construction of a new runway; upgrades to the existing passenger terminal and the construction of a second terminal; capital improvements to the cargo facility including installation of improved cold storage facilities; and the development of Airport City which through incentives is designed to attract manufacturing and assembly operations to produce goods for export from Confins. In addition, the QED Team discussed the investment timeline of the various projects; procurement requirements, including U.S. export potential; and financing options.

Total capital expenditures will exceed the equivalent to US\$ 1.3 billion and, thus, it is prudent to review the existing Master Plan with the goal of validating these expenditures. It should be noted that the QED Team estimates that the U.S. export potential is expected to range between US\$ 30 million and US\$40 million for the various projects contemplated at Confins. This amount comprises systems, equipment, and other goods that are traditionally exported to Brazil for airport projects. Note that this does not include any U.S. export potential for engineering, design, and construction associated as it is anticipated that Brazilian engineering firms are equally capable of carrying out this function.

Based on these discussions, the QED Team is recommending that USTDA provide grant support in the amount of US\$ 573,200 to support a Master Plan Study Update for Confins. Through participation in the Master Plan process, the opportunity for U.S. companies to participate in the program will be improved. Equally as important is the fact that there is growing interest on the part of private sector investor to participate in these projects and the State of Minas Gerais has a proven track record with public private partnerships as well as other forms of cooperation with the private sector. This enhances the chances for these projects to move forward in a timely manner and as such, this is an opportune time for the U.S. private sector to become more active in the airport sector and other parts of the aviation sector.

Project Description

The proposed USTDA support entails engaging a Consultant working with the State of Minas Gerais to update the Master Plan for Tancredo Neves International Airport (Confins), which was opened in 1984. The Confins Master Plan, which was last updated in 1985, will be the new strategic

program to improve and expand the landside and airside operations of Confins. The Master Plan Study will consider the physical and technical aspects of improvements in a manner that meets international design standards. In addition, the Study will consider the market and financial viability of implementing landside and airside improvements and expansion.

Updating this Airport Master Plan at this juncture is important to support future growth and accordingly, there are plans to undertake the equivalent to US\$ 1.3 billion in capital expenditures over the next 8 to 10 years. These expenditures include the expansion of the existing runway, construction of a second runway and new terminal construction. The Master Plan Study will among others, validate expenditures of this magnitude.

As background, Confins serves the Minas state capital, Belo Horizonte. Confins is the major airport in Minas Gerais whose economy accounts for accounts for 10% of Brazil's GDP and key sectors include mining, agriculture, steel, automotive, textile, bio-tech, and hi-tech. With exports in 2007 totaling US\$ 18.3 billion, Minas Gerais diverse economy has an ever expanding international market for which Confins plays an integral role.

In 2007, the airport handled 4,340,129 passengers and 55,491 aircraft movements⁶, making it the 7th busiest Brazilian airport in terms of passengers. In 2005, a majority of flight activity serving Belo Horizonte's other airport, Pampulha, was transferred to Confins, and as a result of this transfer and flight growth, cumulative flight movements have increased from 10650 in 2004 to the level of 55.491 in 2007.

Over the next 25 years, planned capacity at Confins is forecasted to be the following:

- 20 million passengers/year
- 370.000 aircraft movements/year
- 150.000 ton of air cargo/year

This Airport Master Plan Study is also timely in the sense that there is a growing focus on the part of Brazilian and international private sector investors to pool capital for investment in airport and other infrastructure projects. This action has been facilitated by the recent upgrade of Brazil's investment status to Investment grade, consequently enabling institutional money to now invest in Brazil. This development creates the opportunity to consider viable public private partnerships that can finance these large expenditures through a combination of public and private sector funding.

Sponsors Capabilities and Commitments

The State of Minas Gerais has played an integral role in sustaining the growth and development of the State's economy through its investment in all aspects of transport infrastructure including a well developed network of road, railroads, and airports, which has played an integral role in the effective movement of goods and services including exports. In addition, the State has made a significant investment in PROAERO, a program to integrate over 150 airports in Minas Gerais, a state whose land mass exceeds that of the country of France.

In order to maximize the activities at Confins, there has been a major effort on the part of the State of Minas Gerais to attract other operations to Confins. This includes attracting the maintenance operation of GOL Airlines through tax and other incentives. The first maintenance building has been constructed and expansion plans call for the construction of two more buildings. The State of Minas

⁶ INFRAERO website: www.infraero.gov.br

Gerais and INFRAERO are also committed to the development of Airport City and the supporting infrastructure at Confins. In recent years, expenditures has been funded by Federal and State generated funds, proceeds from Confins operations, and multilateral support. Moreover, the State of Minas Gerais has demonstrated success in supporting export-oriented projects in the agriculture and manufacturing sector. This includes the Granbel Dry Port Facility that houses manufacturing and assembly operations for export. Granbel is situated near Confins and is a public private partnership between the State and private sector managers.

U.S. Export Potential

	(US\$ x 1,000)	
Terminal 1 Upgrade		
Flight/Baggage Information Display Systems	225	360
Information Technology Systems	225	315
Baggage Handling Systems	1,350	2,250
Ground Service Equipment	90	180
	1,890	3,105
Terminal 2 Construction		
Passenger Loading Bridges	3,150	4,725
Flight/Baggage Information Display Systems	525	840
Information Technology Systems	525	840
Baggage Handling Systems	3,150	4,725
Ground Service Equipment	210	315
	7,560	11,445
Cargo Terminal		
Cargo Handling Equipment	1,100	1,400
Computer Systems	1,000	1,400
Ground Service Equipment	600	900
Cold Storage Equipment	1,000	1,300
	3,700	5,000
Air Traffic Control Tower		
Voice and Data Communications Equipment	110	130
Computer Systems	40	60
Radar Displays	50	70
	200	260
Runway Extension		
Runway Edge Lighting	800	1,000
Hold Signage	200	350
	1,000	1,350
New Runway		
Runway Edge Lighting	11,000	13,200
Hold Signage	4,400	5,500
	15,400	18,700
Total	29,750	39,860

The table above reflects the potential U.S. market for the currently planned eight year U.S\$ 1.3 billion airport development program. Numerous opportunities are available to U.S. companies amounting to the equivalent to between US\$ 30 million and US\$ 40 million in export value.

U.S. companies that can participate in supplying the equipment and goods associated with the above projects are listed below. The QED Team contacted some of these companies, each of which indicated an interest in responding to tender requests and indicated previous experience in supplying similar equipment to airports in Brazil.

Air Cargo Handling Equipment

- Jervis B. Webb Company, Farmington Hills, Michigan 48331 USA. 1-248-553-1257.
www.jervisbwebb.com

- Glidepath, LLC. Grand Prairie, Texas 75050 USA. 1-972-641-4200.
www.glidepathgroup.com
- G&T Conveyor, Tavares, Florida 352-343-1500 www.gtconveyor.com

Aircraft Ground Support Equipment

- Hobart Ground Power / Trilectron Industries. Suffolk, Virginia 23434 USA. 1 757 373 1700
www.hobartgroundpower.com
- INET Airport Systems. Fullerton, California 92835 USA. 1-714-888-2700. www.inetas.com
- Wasp, Inc. Glenwood, Minnesota 56334 USA. 1-320-634-5126. www.waspinc.com

VHF Radio Communications Systems

- Alcatel-Lucent, Murray Hill, New Jersey 07974 USA. 1-908-508-8080 www.alcatel.com
- ARINC, Annapolis, Maryland 21401 USA. 1-410-266-4000. www.arinc.com
- Mentor Radio Company, Cleveland, Ohio 44135 USA. 1-216-265-2315
www.mentorradio.com

Passenger Terminal Equipment and Furnishings

- FMC Technologies – Jetway. Ogden, Utah, 84401 USA. 1-801-629-3106
www.fmctechnologies.com
- The Chamberlain Group. Elmhurst, Illinois 60126 USA. 1-800-282-6225.
www.chamberlain.com
- Milliken Carpet. Lagrange, Georgia 30240 USA. 1-706-880-3410. www.millikencarpet.com

Passenger and Baggage Information Display Systems

- Daktronics, Inc. Brookings, South Dakota 57006 USA. 1-605-697-4067.
www.daktronics.com
- InterSystems USA, Inc. Englewood, Colorado 80112. 1-303-858-1000.
www.intersystemsww.com
- Mitek Corporation. Phoenix, Arizona 85042 USA. 1-602-438-4545. www.mitekcorp.com

Information Technology Systems

- International RAM Association. Chantilly, Virginia 20151 USA. 1-703-955-7890.
www.intiram.com
- NCR/Kinetics. Saugus, California 91390 USA. 1-661-600-0502. www.ncr.com
- Sita Airport and Desktop Services. Atlanta, Georgia 30339 USA. 1-650-377-0915.
www.sita.aero

Vehicle Access and Signage Systems

- Interstate Highway Sign, Little Rock, Arkansas 501-490-4242 www.interstatesigns.com
- LaFarge Road Marking, Montgomery, PA 570-547-1621 www.lafargeroadmarkings.com
- TransCore. Carrollton, Texas 75008 USA. 1-214-932-9866. www.transcore.com

Foreign Competition and Market Entry Issues

Foreign competitors would include suppliers from Germany, the UK, Spain, France, Japan, Italy, and China. In terms of concession strategies, competition could come from European and

Canadian entities. In addition, Brazilian entities, in particular engineering firms can be competitive, thereby diminishing the level of goods and services that U.S. and other non-Brazilian firms would normally consider for projects of this magnitude in other countries supported by USTDA. For the most part, U.S. firms part are competitive from a technological standpoint and given the current dollar exchange rate (versus the Real, Euro, Sterling, and Yen), the export of the requisite equipment and facilities by U.S. companies could also make U.S. products more competitive.

Implementation Financing

To fund the various projects defined in the revised Airport Master Plan, the financial plan will in all likelihood include multiple project financing structures and sources. The number of financial options will largely hinge upon the role that the private sector plays in the ultimate financing and operating of specific projects under consideration. This might include a form of a public private partnership for Confins Airport City Manufacture Facility and for all or part of Confins terminal and cargo operations.

In addition to reinvesting funds from airport operations and from federal and state funding, our meetings and discussions with financial institutions indicated that financing of certain operations contemplated at Confins could be of interest to Brazilian and international private sector investors which have begun to pool capital for investment in infrastructure related projects. This introduces the consideration to establishing public private partnerships for projects, in particular those that can meet hurdle rates of return and other conditions prescribed by these investors. It should be further noted that the State of Minas Gerais has public private partnership experience and has a unit within Secretaria de Estado de Desenvolvimento Econômico (SEDE) that coordinates public private partnership arrangements on behalf of the State.

Moreover, these projects present opportunities to include financing support from multilateral and bilateral agencies, including IFC, U.S. Ex-Im Bank, and OPIC, all of which have extensive experience with financing operations of this nature in Latin America. IFC, which has the ability to provide equity, quasi-equity, and debt financing, has significant experience globally with financing projects of this nature. This private sector arm of the World Bank Group could play a critical role in attracting other multilateral, bilateral, and other private sector funding for the various projects under consideration for Confins. As is the case with other projects assessed during this DM, Ex-Im Bank could be a likely source of financing and would consider sub-sovereign (i.e. State of Minas Gerais) risk. Ex-Im Bank financing could range from small "one off" transactions to project finance. In addition to providing U.S. dollar denominated financing, Ex-Im Bank can provide Brazilian Real denominated financing, thereby providing foreign exchange exposure risk protection. Also note that a number of Brazilian banks maintain Ex-Im Bank Guarantee Facilities and borrowings under these facilities could be a source of funding for these projects.

In addition, OPIC could also be a source assuming for example, that the concession party is predominantly U.S. owned or that the concession is managed by a U.S. entity. An example of this in Latin America was in Ecuador where OPIC provided financial support for a new airport in Quito, Ecuador. OPIC's participation occurred as a result of Houston Airport System Development Corporation's role as a technical advisor to and investor in the airport. Similar financing support provided by OPIC for Jorge Chavez International Airport, Lima, Peru, when a 30 year concession was entered into in 2000 by a consortium which at that time included Bechtel. Similar to the Quito project, there is the potential for technical partners to be a part of these public private partnership arrangements, particularly as it relates to both Terminal and cargo operations. With regard to local financing, Banco Nacional de Desenvolvimento Econômico e Social (BNDES), which has played a prominent role in Brazil's airport and other infrastructure development, is a source of long-term

capital including real denominated debt financing that is offered at competitive rates. Brazilian banks and institutional investors are also a source of long-term capital, banking facilities, and lease financing. Certain operations at Confins including take off and landing fees, parking fees, rental income create secured financing opportunities.

In effect, the projects at Confins have numerous cross border and domestic financing options emanating from numerous sources and based on the current financial market posture and the near term outlook for the Brazilian economy, could lead to the prospect of financing these projects at reasonable rates and terms and conditions and in a way that minimizes the burden on government spending.

Developmental Impact

The economy of Minas Gerais accounts for 10 percent of Brazil's GDP and the Government of the State of Minas Gerais is committed to the growth and sustainability of its economy. The further development of Confins will play a key role in developing a transport infrastructure that sustains growth. This includes continued development of a well integrated road, rail, and air transport system that helps retain existing Mineiro entities as well as that attracting new market entrants, in particular those which can be a source of employment and support further export growth. The capital program will also help the tourism and convention business in the State of Minas Gerais. This includes Belo Horizonte being one of the Brazilian venues for the FIFA World Cup Championships in 2014.

The actual Master Plan process and the follow-on work associated with implementation of the various projects under consideration will require filling high skill set positions, many of which can be done by experienced Brazilians. There is also a pool of Brazilian labor that can be trained and developed for these positions and given the significant number of infrastructure projects under consideration, the Confins projects can assist with the development of human resource depth in critical areas of the Brazilian economy.

Finally, the creation of Airport City would not only be a source of jobs and exports, but as is the case with the Granbel Facility, this project will create another public private partnership opportunity, thereby strengthening the States reform and experience toward greater private sector participation in projects which heretofore if implemented, would in many cases have been borne exclusively with public sector funding.

Impact on the Environment

The Brazilian government has enacted laws and regulations that provide guidance and control in matters related to environmental protection. Under most circumstances, airport improvements and facilities can be designed and constructed to mitigate adverse impacts on the human and natural environments; however, these may escalate the total development cost. Control of surrounding land uses through regulation can restrict adverse public reaction to aircraft noise and air quality impacts.

Impact on U.S. Labor

The construction of airport improvements or new airports and provision of the required equipment and services should not have a negative impact on U.S. labor. If U.S. goods are procured, the sheer magnitude of the proposed capital expenditures could be a source of jobs in the U.S. and potentially generate short-term on-site installation management staffing needs.

Qualifications

Assigned staff should have a minimum of 10 years of directly relevant project experience to match the task assigned including the use of ICAO annexes and FAA design standards. A working knowledge of Portuguese (read, write and speak) is preferred for those interacting with the staff of the Government of the State of Minas Gerais and INFRAERO. Staff assignments should be made in consideration of known and anticipated workload commitments. One of these individuals can also serve as the project manager according to the organization of the Contractor.

- Project Manager – Lead airport planner and the primary point of contact for the Government of the State of Minas Gerais. Experienced in the planning of international airports with strong knowledge and appreciation for the technical skills required of other staff to conduct the project.
- Airfield Area Planner – Responsible for evaluating the airfield area component of the Airport. Knowledgeable in aviation demand forecasting, ICAO and FAA facility design standards and airspace management including instrument approach procedures.
- Terminal Facilities Planner – Responsible for evaluating the terminal area component of the Airport including the space program and security. Experienced in segregating passenger flows by domestic and international services, and in airport concession programs to enhance terminal building operations revenue.
- Cargo Facilities Planner – Responsible for evaluating the demand for air cargo/express/mail demand and required facilities and layout.
- Environmental Specialist – Responsible for assessing potential environmental impacts and mitigation strategies. Knowledgeable of federal and state laws and regulations in the assessment of environmental impacts.
- Cost Estimator – Responsible for identifying budget-level construction cost estimates and associated implementation expenses as applicable to the State of Minas Gerais and Brazil.
- Financial Specialist – Responsible for evaluating the financial feasibility for project implementation, including the air cargo/express/mail facility. Knowledge of Brazilian and international financing sources, and the application of public-private partnerships to finance infrastructure improvements.

Brazilian firms that can support the Contractor in technical areas, translation and coordination with the Government of the State of Minas Gerais are a potentially strong complement to the study effort.

Justification

Given the significant number of projects under consideration and their associated high level of capital expenditures, the Confins Master Plan Update is a critical step for prudently moving forward implementation. This includes among others, the Study confirming that forecasted passenger and cargo growth and the implementation of among others runway construction, Airport City, and the GOL Maintenance expansion can generate the revenue and earnings streams and economic benefits that make Confins a highly successful and profitable operation. In addition, the Confins Master Plan Update will provide prospective private sector, multilateral, and bilateral institutions with a current document that will facilitate their due diligence process in evaluating project financial viability and in so doing create the opportunity to reduce the burden on direct government funding by raising alternative financing from Brazilian and international financial sources including private equity funds, multilateral institutions, and bilateral institutions.

Government of the State of Minas Gerais. These reports shall be available at least two weeks prior to working meetings at which the findings and recommendations presented in the document will be discussed and reviewed. A total of three working meetings on-site are envisioned as each draft report is issued. When appropriate, the Contractor may issue working papers in order to facilitate discussions as each draft interim report is prepared. These working papers shall also be provided in hard copy (three copies) and electronic format.

Teleconference calls on the progress of the Airport Master Plan Study should be made every two weeks so that all parties to the effort are informed about major issues or concerns that affect the delivery and quality of the final product.

The final report will be a compilation of the draft interim reports edited as needed based on comments received during the review working meetings. The final report will also contain an executive summary within the document and prepared as a stand-alone deliverable. Ten (10) copies of the final report, airport plan drawings and the stand-alone executive summary will be prepared. The USTDA and the U.S. Commercial Service Office in Belo Horizonte will be also provided with the final report and executive summary in electronic format.

Award Criteria

Proposals submitted for the conduct of the Airport Master Plan Study will be reviewed by a selection committee appointed by the Government of the State of Minas Gerais (MG) in accordance the evaluation criteria described below. MG will promptly negotiate an agreement for professional services with the top-ranked proposal. Should such negotiations fail, MG has the option to terminate those negotiations and enter into an agreement with the next ranked proposal. The selected proposal and the agreement are subject to the approval of the USTDA.

Evaluation Criteria

The evaluation criteria address the key factors that are applicable to the successful performance of the Airport Master Plan Study and the overall objectives of MG. Each evaluation criterion is assigned a weighting factor as an indication of its relative importance among all criteria.

1. Technical Experience (40 percent)

Proposals will be evaluated with regard to the experience demonstrated for each of the key staff. Staff experience rather than firm experience is the key factor in this evaluation. Assigned staff should demonstrate proven experience in:

- a. Economic and demographic evaluations of demand generators for aviation services.
- b. Airport planning for domestic and international services at airports with activity levels on the order of 30 million total annual passengers.
- c. Airports accommodating the range of air carrier and regional airline aircraft in use and planned for Confins in the next 10 years.
- d. Planning airports that encompass the collateral development of industrial and commercial facilities on and in proximity to the airport.

- e. Air freight /express/mail market and trade flow assessments (types and amounts of goods, aircraft in service) within the State of Minas Gerais, and between Brazil and Mercosul, Latin America, North America and global markets.
- f. Phasing plans for airport development programs.
- g. Design, specifications and implementation of passenger and baggage security screening systems.
- h. Design, specifications and implementation of baggage and air cargo/freight/express sorting facilities.
- i. Design, specifications and implementation of flight and baggage information display systems, common use terminal equipment, and information technology systems integration.
- j. Preparation of plans and specifications for the installation of passenger loading bridges, 400 Hz power and pre-conditioned air.
- k. Preparation of plans and specifications for ground support equipment and facilities.
- l. Working knowledge of planning and design best practices and standards issued by International Civil Aviation Organization and the US Federal Aviation Administration.

2. Project Understanding, Methodology and Approach (25 percent)

The evaluation will consider the appropriateness of the technical and management approach to the Study and the overall quality and responsiveness to the request for proposal. This includes a demonstrated understanding of the Airport Master Plan Study (objectives, methodology and output) and a clear and succinct description regarding how the Study will be executed including interaction with MG staff. Suggestions should be offered as it relates the Master Plan revision process achieving the project objectives and effective movement toward implementation. These suggestions should reflect the experience of the assigned staff as it relates to the Airport Master Plan Study.

3. Financial Experience (30 percent)

Experience with the development and analysis of airport capital expenditure programs including financial modeling are critical to the process to discern financial viability. Specific experience with Brazilian and cross border financing for airport and other infrastructure projects, including the development of concession strategies, is essential to the process of identifying feasible financing options. This also includes familiarity with the programs offered by multilateral and bilateral institutions.

4. Language (5 percent)

Assigned staff Portuguese language skills will be a consideration, but not an overriding factor, in the selection process.

Recommendation

USTDA funding support for the requested Airport Master Plan Study is recommended by the QED Team for several reasons:

1. The construction budget for the next 8 years is estimated at equivalent to \$US 1.3 billion, of which between US\$ 30 million and US\$40 million or about 2 percent represents opportunities for the export of US goods and services.
2. The conduct of the Airport Master Plan Study requested lends itself to integrating US consultancy services into the early stages of the project. This can indirectly introduce Government of the State of Minas Gerais and INFRAERO staff to the competencies of US companies that are world competitors for the goods and services that the construction of the Airport improvements will require.
3. The US marketplace has many well qualified and internationally-experienced firms that can provide the requested services associated with the requested Airport Master Plan Study.
4. The presence and availability of US industry representation to the Government of the State of Minas Gerais and INFRAERO helps position other US suppliers in seeking out and responding to new opportunities. The Brazilian economy is expanding to include a host of infrastructure and capital-intensive projects that can benefit from the experience offered by US businesses.

Budget

Budget

AIRPORT MASTER PLAN STUDY BUDGET

LABOR	Person-Days											
	Project Manager		Airfield Planner		Terminal Planner		Cargo Planner		Environmental Specialist		Cost Estimator	
	In US	In Brazil	In US	In Brazil	In US	In Brazil	In US	In Brazil	In US	In Brazil	In US	In Brazil
Task												
1. Inventory Analysis	5	5	5		5		5					
2. Forecasts of Aviation Demand	5											
3. Airfield Area Demand / Capacity and Requirements	5		5		2		2					
4. Terminal Area Demand / Capacity and Facility Requirements	5		2		5		2					
5. Alternative Airport Concepts	10	5	5	5	5	5	5	5	2		5	
6. Airport Security	2		2		5		2					
7. Order of Magnitude Project Cost / Phasing	5		2		2		2		2		5	
8. US Export Potential	2		2		2		2		2		2	
9. Public Private Partnerships	2		0									1
10. Financial Analysis	3		2		2		2		2		4	
11. Environmental Impact Assessment	2		2		2		2		10	5	2	
12. Developmental Impact	5						2					
13. Airport Plans	5		3		3		2		1		1	
14. Reports and Coordination (includes working meetings)	10	15	5	5	5	5	5	5	5	5		

A fixed amount budget of US\$ 573,200 is recommended for the requested Airport Master Plan Study. This budget provides sufficient time and expense allowance for the Contractor to effectively and responsively complete the project and interact with the Government of the State of Minas

Gerais and INFRAERO staff that are responsible for the planning, design and improvement of the Airport, and attraction of industry to the State.

Timeline

TRANCEDO / NEVES INTERNATIONAL AIRPORT MASTER PLAN STUDY
TIMELINE

Task	Month											
	1	2	3	4	5	6	7	8	9	10	11	12
1. Inventory Analysis	■	■										
2. Forecasts of Aviation Demand			■	■	■							
3. Airfield Area Demand / Capacity and Requirements				■	■	■						
4. Terminal Area Demand / Capacity and Facility Requirements				■	■	■						
5. Alternative Airport Concepts					■	■	■					
6. Airport Security							■	■				
7. Order of Magnitude Project Cost / Phasing						■	■	■				
8. US Export Potential								■	■			
9. Financial Analysis						■	■	■	■			
10. Environmental Impact Assessment							■	■		■	■	
11. Developmental Impact										■	■	
12. Airport Plans									■	■	■	■
13. Reports and Coordination (includes working meetings)				■	■		■	■	■	■		■

The Airport Master Plan Update is anticipated to occur during a 12-month period. The timing of draft reports and working meetings at the Airport are included.

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ANNEX 3



**U.S. TRADE AND DEVELOPMENT AGENCY
Arlington, VA 22209-2131**

NATIONALITY, SOURCE, AND ORIGIN REQUIREMENTS

The purpose of USTDA's nationality, source, and origin requirements is to assure the maximum practicable participation of American contractors, technology, equipment and materials in the prefeasibility, feasibility, and implementation stages of a project.

USTDA STANDARD RULE (GRANT AGREEMENT STANDARD LANGUAGE):

Except as USTDA may otherwise agree, each of the following provisions shall apply to the delivery of goods and services funded by USTDA under this Grant Agreement: (a) for professional services, the Contractor must be either a U.S. firm or U.S. individual; (b) the Contractor may use U.S. subcontractors without limitation, but the use of subcontractors from host country may not exceed twenty percent (20%) of the USTDA Grant amount and may only be used for specific services from the Terms of Reference identified in the subcontract; (c) employees of U.S. Contractor or U.S. subcontractor firms responsible for professional services shall be U.S. citizens or non-U.S. citizens lawfully admitted for permanent residence in the U.S.; (d) goods purchased for implementation of the Technical Assistance and associated delivery services (e.g., international transportation and insurance) must have their nationality, source and origin in the United States; and (e) goods and services incidental to support (e.g., local lodging, food, and transportation) in host country are not subject to the above restrictions. USTDA will make available further details concerning these standards of eligibility upon request.

NATIONALITY:

1) Rule

Except as USTDA may otherwise agree, the Contractor for USTDA funded activities must be either a U.S. firm or a U.S. individual. Prime contractors may utilize U.S.

subcontractors without limitation, but the use of host country subcontractors is limited to 20% of the USTDA grant amount.

2) Application

Accordingly, only a U.S. firm or U.S. individual may submit proposals on USTDA funded activities. Although those proposals may include subcontracting arrangements with host country firms or individuals for up to 20% of the USTDA grant amount, they may not include subcontracts with third country entities. U.S. firms submitting proposals must ensure that the professional services funded by the USTDA grant, to the extent not subcontracted to host country entities, are supplied by employees of the firm or employees of U.S. subcontractor firms who are U.S. individuals.

Interested U.S. firms and consultants who submit proposals must meet USTDA nationality requirements as of the due date for the submission of proposals and, if selected, must continue to meet such requirements throughout the duration of the USTDA-financed activity. These nationality provisions apply to whatever portion of the Terms of Reference is funded with the USTDA grant.

3) Definitions

A "U.S. individual" is (a) a U.S. citizen, or (b) a non-U.S. citizen lawfully admitted for permanent residence in the U.S. (a green card holder).

A "U.S. firm" is a privately owned firm which is incorporated in the U.S., with its principal place of business in the U.S., and which is either (a) more than 50% owned by U.S. individuals, or (b) has been incorporated in the U.S. for more than three (3) years prior to the issuance date of the request for proposals; has performed similar services in the U.S. for that three (3) year period; employs U.S. citizens in more than half of its permanent full-time positions in the U.S.; and has the existing capability in the U.S. to perform the work in question.

A partnership, organized in the U.S. with its principal place of business in the U.S., may also qualify as a "U.S. firm" as would a joint venture organized or incorporated in the United States consisting entirely of U.S. firms and/or U.S. individuals.

A nonprofit organization, such as an educational institution, foundation, or association may also qualify as a "U.S. firm" if it is incorporated in the United States and managed by a governing body, a majority of whose members are U.S. individuals.

SOURCE AND ORIGIN:

1) Rule

In addition to the nationality requirement stated above, any goods (e.g., equipment and materials) and services related to their shipment (e.g., international transportation and insurance) funded under the USTDA Grant Agreement must have their source and origin in the United States, unless USTDA otherwise agrees. However, necessary purchases of goods and project support services which are unavailable from a U.S. source (e.g., local food, housing and transportation) are eligible without specific USTDA approval.

2) Application

Accordingly, the prime contractor must be able to demonstrate that all goods and services purchased in the host country to carry out the Terms of Reference for a USTDA Grant Agreement that were not of U.S. source and origin were unavailable in the United States.

3) Definitions

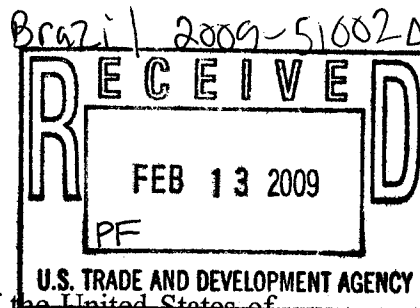
“Source” means the country from which shipment is made.

“Origin” means the place of production, through manufacturing, assembly or otherwise.

Questions regarding these nationality, source and origin requirements may be addressed to the USTDA Office of General Counsel.

ANNEX 4

GRANT AGREEMENT



This Grant Agreement is entered into between the Government of the United States of America, acting through the U.S. Trade and Development Agency ("USTDA") and the State Government of Minas Gerais Economic Development Secretariat ("Grantee"). USTDA agrees to provide the Grantee under the terms of this Agreement US\$573,000 ("USTDA Grant") to fund the cost of goods and services required for technical assistance ("Technical Assistance") on the proposed State of Minas Gerais Tancredo Neves International Airport – TNIA Network Master Plan Project ("Project") in Brazil ("Host Country").

CC:
NI
GM
NY
CS:
PD
MC
JW
GJ
LZ
HL

1. USTDA Funding

The funding to be provided under this Grant Agreement shall be used to fund the costs of an Agreement of Understanding to Perform the Technical Assistance ("Agreement of Understanding") between the Grantee and the U.S. firm selected by the Grantee ("U.S. Firm") under which the U.S. Firm will perform the Technical Assistance. Payment to the U.S. Firm will be made directly by USTDA on behalf of the Grantee with the USTDA Grant funds provided under this Grant Agreement.

2. Terms of Reference

The Terms of Reference for the Technical Assistance ("Terms of Reference") are attached as Annex I and are hereby made a part of this Grant Agreement. The Technical Assistance will examine the technical, financial, environmental, and other critical aspects of the proposed Project. The Terms of Reference for the Technical Assistance shall also be included in the Agreement of Understanding.

3. Standards of Conduct

USTDA and the Grantee recognize the existence of standards of conduct for public officials, and commercial entities, in their respective countries. The parties to this Grant Agreement and the U.S. Firm shall observe these standards, which include not accepting payment of money or anything of value, directly or indirectly, from any person for the purpose of illegally or improperly inducing anyone to take any action favorable to any party in connection with the Technical Assistance.

4. Grantee Responsibilities

The Grantee shall undertake its best efforts to provide reasonable support for the U.S. Firm, such as local transportation, office space, and secretarial support.

5. USTDA as Financier

(A) USTDA Approval of Competitive Selection Procedures

Selection of the U.S. Firm shall be carried out by the Grantee according to its established procedures for the competitive selection of contractors with advance notice of the procurement published online through *Federal Business Opportunities* (www.fedbizopps.gov). Upon request, the Grantee will submit these contracting procedures and related documents to USTDA for information and/or approval.

(B) USTDA Approval of U.S. Firm Selection

The Grantee shall notify USTDA at the address of record set forth in Article 17 below upon selection of the U.S. Firm to perform the Technical Assistance. Upon approval of this selection by USTDA, the Grantee and the U.S. Firm shall then enter into an Agreement of Understanding. The Grantee shall notify in writing the U.S. firms that submitted unsuccessful proposals to perform the Technical Assistance that they were not selected.

(C) USTDA Approval of Agreement of Understanding Between Grantee and U.S. Firm

The Grantee and the U.S. Firm shall enter into an Agreement of Understanding. This Agreement of Understanding, and any amendments thereto, including assignments and changes in the Terms of Reference, must be approved by USTDA in writing. To expedite this approval, the Grantee (or the U.S. Firm on the Grantee's behalf) shall transmit to USTDA, at the address set forth in Article 17 below, a photocopy of an English language version of the signed Agreement of Understanding or a final negotiated draft version of the Agreement of Understanding.

(D) USTDA Not a Party to the Agreement of Understanding

It is understood by the parties that USTDA has reserved certain rights such as, but not limited to, the right to approve the terms of the Agreement of Understanding and any amendments thereto, including assignments, the selection of all U.S. Firms, the Terms of Reference, the Final Report, and any and all documents related to any Agreement of Understanding funded under the Grant Agreement. The parties hereto further understand and agree that USTDA, in reserving any or all of the foregoing approval rights, has acted solely as a financing entity to assure the proper use of United States Government funds, and that any decision by USTDA to exercise or refrain from exercising these approval rights shall be made as a financier in the course of funding the Technical Assistance and shall not be construed as making USTDA a party to the Agreement of Understanding. The parties hereto understand and agree that USTDA may, from time to time, exercise the foregoing approval rights, or discuss matters related to these rights and the Project with the parties to the Agreement of Understanding or any sub-agreement, jointly or separately, without thereby incurring

any responsibility or liability to such parties. Any approval or failure to approve by USTDA shall not bar the Grantee or USTDA from asserting any right they might have against the U.S. Firm, or relieve the U.S. Firm of any liability which the U.S. Firm might otherwise have to the Grantee or USTDA.

(E) Grant Agreement Controlling

Regardless of USTDA approval, the rights and obligations of any party to the Agreement of Understanding or any sub-agreement thereunder must be consistent with this Grant Agreement. In the event of any inconsistency between the Grant Agreement and any agreement or sub-agreement funded by the Grant Agreement, the Grant Agreement shall be controlling.

6. Disbursement Procedures

(A) USTDA Approval of Agreement of Understanding Required

USTDA will make disbursements of Grant funds directly to the U.S. Firm only after USTDA approves the Grantee's Agreement of Understanding with the U.S. Firm.

(B) U.S. Firm Invoice Requirements

The Grantee should request disbursement of funds by USTDA to the U.S. Firm for performance of the Technical Assistance by submitting invoices in accordance with the procedures set forth in the USTDA Mandatory Clauses in Annex II.

7. Effective Date

The effective date of this Grant Agreement ("Effective Date") shall be the date of signature by both parties or, if the parties sign on different dates, the date of the last signature.

8. Technical Assistance Schedule

(A) Technical Assistance Completion Date

The completion date for the Technical Assistance, which is January 31, 2010, is the date by which the parties estimate that the Technical Assistance will have been completed.

(B) Time Limitation on Disbursement of USTDA Grant Funds

Except as USTDA may otherwise agree, (a) no USTDA funds may be disbursed under this Grant Agreement for goods and services which are provided prior to the Effective Date of the Grant Agreement; and (b) all funds made available under the Grant Agreement must be disbursed within four (4) years from the Effective Date of the Grant Agreement.

9. USTDA Mandatory Clauses

All Agreements of Understanding funded under this Grant Agreement shall include the USTDA mandatory clauses set forth in Annex II to this Grant Agreement. All sub-agreements funded or partially funded with USTDA Grant funds shall include the USTDA mandatory clauses, except for clauses B(1), G, H, I, and J.

10. Use of U.S. Carriers

(A) Air

Transportation by air of persons or property funded under the Grant Agreement shall be on U.S. flag carriers in accordance with the Fly America Act, 49 U.S.C. 40118, to the extent service by such carriers is available, as provided under applicable U.S. Government regulations.

(B) Marine

Transportation by sea of property funded under the Grant Agreement shall be on U.S. carriers in accordance with U.S. cargo preference law.

11. Nationality, Source and Origin

Except as USTDA may otherwise agree, the following provisions shall govern the delivery of goods and services funded by USTDA under the Grant Agreement: (a) for professional services, the U.S. Firm must be either a U.S. firm or U.S. individual; (b) the U.S. Firm may use U.S. subcontractors without limitation, but the use of subcontractors from Host Country may not exceed twenty percent (20%) of the USTDA Grant amount and may only be used for specific services from the Terms of Reference identified in the sub-agreement; (c) employees of the U.S. Firm or U.S. subcontractors responsible for professional services shall be U.S. citizens or non-U.S. citizens lawfully admitted for permanent residence in the U.S.; (d) goods purchased for performance of the Technical Assistance and associated delivery services (e.g., international transportation and insurance) must have their nationality, source and origin in the United States; and (e) goods and services incidental to Technical Assistance support (e.g., local lodging, food, and transportation) in Host Country are not subject to the above restrictions. USTDA will make available further details concerning these provisions upon request.

12. Taxes

USTDA funds provided under the Grant Agreement shall not be used to pay any taxes, tariffs, duties, fees or other levies imposed under laws in effect in Host Country. Neither the Grantee nor the U.S. Firm will seek reimbursement from USTDA for such taxes, tariffs, duties, fees or other levies.

13. Cooperation Between Parties and Follow-Up

The parties will cooperate to assure that the purposes of the Grant Agreement are accomplished. For five (5) years following receipt by USTDA of the Final Report (as defined in Clause I of Annex II), the Grantee agrees to respond to any reasonable inquiries from USTDA about the status of the Project.

14. Implementation Letters

To assist the Grantee in the implementation of the Technical Assistance, USTDA may, from time to time, issue implementation letters that will provide additional information about matters covered by the Grant Agreement. The parties may also use jointly agreed upon implementation letters to confirm and record their mutual understanding of matters covered by the Grant Agreement.

15. Recordkeeping and Audit

The Grantee agrees to maintain books, records, and other documents relating to the Technical Assistance and the Grant Agreement adequate to demonstrate implementation of its responsibilities under the Grant Agreement, including the selection of U.S. firms, receipt and approval of Agreement of Understanding deliverables, and approval or disapproval of U.S. firm invoices for payment by USTDA. Such books, records, and other documents shall be separately maintained for three (3) years after the date of the final disbursement by USTDA. The Grantee shall afford USTDA or its authorized representatives the opportunity at reasonable times to review books, records, and other documents relating to the Technical Assistance and the Grant Agreement.

16. Representation of Parties

For all purposes relevant to the Grant Agreement, the Government of the United States of America will be represented by the U. S. Ambassador to Host Country or USTDA and Grantee will be represented by the Director. The parties hereto may, by written notice, designate additional representatives for all purposes under the Grant Agreement.

17. Addresses of Record for Parties

Any notice, request, document, or other communication submitted by either party to the other under the Grant Agreement shall be in writing or through a wire or electronic medium which produces a tangible record of the transmission, such as a telegram, cable

or facsimile, and will be deemed duly given or sent when delivered to such party at the following:

To: Secretaria de Estado de Desenvolvimento Econômico
Rua Rio de Janeiro nº 471, 16 andar
Belo Horizonte - Minas Gerais 30160-040
Brasil

Phone: 55(31) 3270-9370
Fax: 55(31) 2129-9447

To: U.S. Trade and Development Agency
1000 Wilson Boulevard, Suite 1600
Arlington, Virginia 22209-3901
USA

Phone: (703) 875-4357
Fax: (703) 875-4009

All such communications shall be in English, unless the parties otherwise agree in writing. In addition, the Grantee shall provide the Commercial Section of the U.S. Embassy in Host Country with a copy of each communication sent to USTDA.

Any communication relating to this Grant Agreement shall include the following fiscal data:

Appropriation No.: 119/101001
Activity No.: 2009-51002A
Reservation No.: 2009510002
Grant No.: GH2009510001


18. Termination Clause

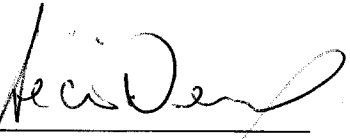
Either party may terminate the Grant Agreement by giving the other party thirty (30) days advance written notice. The termination of the Grant Agreement will end any obligations of the parties to provide financial or other resources for the Technical Assistance, except for payments which they are committed to make pursuant to noncancellable commitments entered into with third parties prior to the written notice of termination.

IN WITNESS WHEREOF, the Government of the United States of America and the State Government of Minas Gerais Economic Development Secretariat, each acting through its duly authorized representative, have caused this Agreement to be signed in the English language in their names and delivered as of the day and year written below. In the event that this Grant Agreement is signed in more than one language, the English language version shall govern.

For the Government of the
United States of America

For the State Government of Minas Gerais
Economic Development Secretariat


By: 
Clifford M. Sobel
United States Ambassador
to the Federative Republic of Brazil

By: 
Aécio Neves
Governor
State Government of Minas Gerais


Date: Feb 9, 2009

Date: FEB, 06/2009

Witnessed:

By: 
Rebecca Armand
Principal Commercial Officer
U.S. Embassy, Brazil

Witnessed:

By: 
Luiz Antônio Athayde de Vasconcelos
Undersecretary for International Affairs
State Government of Minas Gerais

Annex I -- Terms of Reference

Annex II -- USTDA Mandatory Clauses

Annex I

Terms of Reference

Objective

These are Terms of Reference for a Master Plan, which updates the airport Master Plan for the Tancredo Neves International Airport (TNIA). The Master Plan, which was last updated in 1985, will be a strategic framework for the program to improve and expand the landside and airside operations of TNIA. In developing this strategic framework, the Master Plan update will consider the physical and technical aspects of improvements in a manner that meets international design standards. In addition, the Master Plan update will consider the market and financial viability of implementing landside and airside improvements and expansion.

An important element of the Master Plan update is a market analysis addressing the required investment in air cargo and related facilities to support the anticipated increase in economic activity at TNIA and the planned development of an "Airport City".

When assessing financial viability, the Master Plan study will examine alternative sources of public and private investment that will result in financial structures that best achieve the long-term financial goals for TNIA. This analysis and identification of financing sources will culminate in a Financial Plan that will support capital investment decisions for TNIA as well as support meetings and negotiations with prospective Brazilian and foreign investors among which there is a growing level of interest in investing in Brazilian airport and other infrastructure projects.

This Master Plan will also factor in the multimodal network supporting TNIA, including current and planned road and rail facilities, as well as the development of PROAERO, an integrated air transport system administered by the State of Minas Gerais and which is intended to facilitate the movement of passengers and cargo within Minas Gerais.

Finally, the Terms of Reference will also include analyses that further identify the potential for U.S. industry to participate in the establishment of the new and expanded airport facilities. It should be noted that over the next eight years there are plans for significant capital expenditures for TNIA including, among other things, the construction of a second runway, expansion of the existing cargo facilities and related operations, capital improvements to the existing terminal, and the construction of a new terminal.

The Technical Assistance tasks are as follows:

Task 1 – Inventory Analysis

This task provides for the collection by the U.S. Firm of data pertaining to the historical (past 10 years minimum) and current activity levels at the existing airport. Such data will be provided by the Government of the State of Minas Gerais and Empresa Brasileira de Infra-Estrutura Aeroportuaria (INFRAERO) for general review by the U.S. Firm and includes, but is not limited to:

- ➔ Annual enplaned and deplaned passengers in scheduled domestic, scheduled international, domestic nonscheduled and international nonscheduled services
- ➔ Peak-hour (VFR and IFR) aircraft operations by major category
- ➔ Peak-hour passenger (enplaned, deplaned and total) and vehicle volumes
- ➔ Annual air cargo, express and mail volumes (and general types) enplaned and deplaned in domestic and international service
- ➔ Inventory of airport facilities and an assessment of their general condition and serviceability
- ➔ Collection of financial statements and other information related to the existing airport revenues, expenses, debt and other data that could affect formulation of the financial plan for the operation and development of the airport
- ➔ Wind/weather and other relevant meteorological data that could influence the location and operation of airside facilities
- ➔ Current strategy being implemented by the Government of the State of Minas Gerais to attract Brazilian and foreign companies for direct investment in facilities at the airport service area

Task 2 – Forecasts of Aviation Demand

The U.S. firm shall obtain aviation demand forecasts for the following activities from the Government of the State of Minas Gerais and/or INFRAERO. These forecasts reflect the demand levels to which later tasks addressing facility requirements can be prepared by the U.S. Firm.

- ➔ Annual enplaned and deplaned passengers in scheduled and nonscheduled airline service, both domestic and international
- ➔ Peak-hour (enplaning, deplaning and total) passengers

- ➔ Annual aircraft operations for the above categories
- ➔ Visual Flight Rules (VFR) and Instrument Flight Rules (IFR) peak-hour aircraft operations
- ➔ Annual air cargo, express and mail volumes, by type. This includes the impact which cargo activity derived from Airport City has on TNIA.
- ➔ Critical design aircraft (largest wing span and tail aircraft that operate at the airport on a regular basis) to meet applicable International Civil Aviation Organization (ICAO) standards for the airport geometry (lateral separation between aircraft operating areas)
- ➔ Vehicular traffic volumes (annual, average annual daily and peak-hour)

Task 3 – Airfield Area Demand /Capacity and Facility Requirements

This task addresses the airfield component of the airport and compares existing capacities of functional areas to demand and identifies facility requirements to meet capacity or level of service shortfalls. The U.S. Firm shall address the following:

- ➔ Number of runways required based on wind/weather conditions, and VFR and IFR peak-hour and annual capacity/demand relationships
- ➔ Runway length and strength based on nonstop stage length requirements to be flown by various types of aircraft in scheduled and nonscheduled passenger and cargo service
- ➔ Instrument approach capability (minimums) that should be provided for the runway ends. This analysis should also include a determination of the anticipated approach minimums by aircraft approach category based on Terminal Instrument Procedures (TERPS) or Procedures for Air Navigation Services – Aircraft Operations (PAN-OPS) guidelines, with and without the installation of an appropriate approach lighting system.
- ➔ Visual landing aids for each runway end
- ➔ Taxiway improvements to facilitate the ground movement of aircraft and reduce runway occupancy time

Task 4 – Terminal Area Demand /Capacity and Facility Requirements

The U.S. Firm will address components of the terminal complex to include the passenger terminal building; air cargo, express and mail handling centers; general aviation area; fuel storage; automobile access, circulation and parking; industrial park areas; rail access; Airport administrative functional areas; and other facilities that are to be located at the Airport. The facilities should be sized to each of the forecast year levels of activity. It may be appropriate to conduct activity surveys of operations within functional areas of the passenger terminal in order to assess the existing levels of service and capacity, and determine appropriate space requirements.

The U.S. Firm will prepare a conceptual space program for the passenger terminal building that identifies the area requirements of major functional element of the building. Discussions with the airlines serving the airport, existing airport tenants and INFRAERO are likely to be held during this planning activity. The conceptual space program includes areas such as:

- ➔ Passenger ticketing and lobby area
- ➔ Security for passenger and baggage screening
- ➔ Secure lobby areas and gate hold rooms
- ➔ Public-private partnerships in secure and non-secure areas
- ➔ Baggage makeup and handling areas
- ➔ Terminal tenant office areas
- ➔ Car rental and other ground transportation facility areas
- ➔ Airport administrative, security and police function areas
- ➔ Automobile parking areas

Additionally, area requirements for the following functions shall be identified by the U.S. Firm in order to size the overall airport operational area:

- ➔ Ramp areas for airline aircraft parking positions, remote parking stands and ground service equipment will be identified.
- ➔ Airline catering facilities
- ➔ General aviation aircraft tie down, hangar storage and automobile parking
- ➔ Airline aircraft operations and maintenance functions
- ➔ Air cargo, express and mail centers
- ➔ Industrial park to include aviation related activities and operations that may or may not require airfield access
- ➔ Solid waste disposal facilities will be determined.
- ➔ Aircraft rescue and firefighting vehicles and facility area requirements for their storage and maintenance, including crew facilities

Task 5 – Alternative Airport Concepts

The U.S. Firm will combine the facility requirements for the airfield, terminal and landside areas to generate up to four alternative conceptual layouts for the Airport. These concepts can incorporate sub-alternative layouts of the individual components (passenger terminal building, runway layout and associated taxiway network, vehicular and rail access and parking areas) of the entire Airport site. The alternatives will then be evaluated by the U.S. Firm utilizing a quantifiable evaluation process using criteria that have been determined jointly with the Government of the State of Minas Gerais. Evaluation criteria that are typically utilized in assessing the advantages and disadvantages of each alternative include, but are not limited to:

- Functional flows
- Expansion capability
- Flexibility to accommodate unforeseen changes in demand
- Environmental impact
- Construction and implementation costs
- Ease of development phasing
- Opportunity for operating revenue enhancement

The evaluation process seeks to identify the preferred airport concept, which is that overall airport conceptual layout that best meets the identified facility requirements. It is possible that the preferred airport concept will be a hybrid of the alternatives developed, combining the best features of the initial concepts.

The preferred airport concept will be utilized in subsequent tasks defining the staging, cost, potential environmental impacts and financial feasibility assessment.

Task 6 – Airport Security

The U.S. Firm will identify appropriate security systems (screening of passengers and carry-on and checked baggage, airport operational area access controls, airport perimeter controls, facilities monitoring, video and voice communications and personnel hiring and training processes) in order to assess compliance with applicable ICAO standards and best practices employed in the industry. Recommendations and costs to maintain International Aviation Safety Assessments (IASA) Category I standards shall be provided by the U.S. Firm. The U.S. Firm's recommendations shall take into account consideration of the sustainability of the system by local staff to ensure its continued operation and reliability.

Task 7 – Order-of-Magnitude Project Cost / Phasing

The U.S. Firm will develop order-of-magnitude (budget level) cost estimates based on the improvements and expansions recommended as the preferred airport concept defined in Task 5. These costs will be identified by phase of construction and form the basis for

capital requirements that are to be incorporated in the financial analysis in Task 10. The phased construction program and associated costs for the planned improvements will be the basis for discussions with the Government of the State of Minas Gerais, INFRAERO and potential investors as they relate to the preferred airport concept.

Task 8 – U.S. Export Potential

The U.S. Firm will prepare a list of potential U.S. suppliers of equipment and services. Names of firms, addresses and contact information will be provided for major categories of equipment and services. Additionally, to encourage and promote the involvement of U.S. businesses in the airport project and associated potential industrial development, as many as a total of seven representatives of the Government of the State of Minas Gerais and INFRAERO, as well as representatives of the U.S. Firm, will make a one-day presentation of the Airport Master Plan update findings at the USTDA offices in Arlington, Virginia. The briefing will be promoted by USTDA through its website. A briefing book representing a condensed version of the executive summary and including a reduced scale drawing of the airport layout plan describing the project and highlighting opportunities for U.S. exports of equipment and services will be prepared for distribution to the attendees. Attendees will also be given the opportunity to meet individually with representatives from the State and INFRAERO who are responsible for bidding and selecting suppliers. Representatives from the Washington, D.C. area multilateral and bilateral funding organizations will be invited to attend and brief attendees on their programs to support the required capital investment. The U.S. Firm shall use part of the USTDA Grant funds for this Project to fund the travel (airfare, hotel, meals) for up to seven Minas Gerais and INFRAERO representatives to bring their project to the attention of the U.S. market. The U.S. Firm shall also accompany these representatives. The Minas and INFRAERO representatives shall be responsible for preparing the items that will be presented as well as the leave-behind materials. The U.S. Firm shall review those materials to ensure that they convey the requisite information in a format that is responsive to the interests of the U.S. companies.

Task 9 – Investment Alternatives – models of partnerships

The U.S. Firm will review and make strategic recommendations for public private partnership (PPP) options that might impact certain capital improvement projects at TNIA including aviation-related industrial development. This analysis will include meetings and discussions with the appropriate officials within the State of Minas Gerais and other national authorities, and should include, among other things, Brazilian PPP policies, investment incentives offered under PPP programs, and a detailed list of examples of successful PPP implementation around the world.

The U.S. Firm will then identify those capital improvement projects at TNIA that warrant consideration for viable PPP strategies, factoring in the following:

- Legal Structure: Joint venture entity, management contract, or other forms of partnership;
- Contractual form for PPP implementation: Turnkey operation, build operate and transfer.

Once the appropriate PPP capital improvement projects are identified, the U.S. Firm will provide strategic procurement and implementation recommendations in accordance with the Brazilian PPP policies. These will include but not be limited to the following:

- Legal structure scenarios for the respective capital improvement project components
- Criteria for identifying suitable private sector partners including, among other things, technical expertise, prior public private experience, and financial resources which might include financial partners that the project might attract
- Discussion regarding the implications of PPPs on project implementation including, among other things, project timeline, procurement strategy, foreign ownership and other legal and regulatory aspects, investment incentives, repatriation guidelines, and financing structure
- Present a report of three successful experiences of Airport PPP
- Estimate of revenues for the public airport authorities that regard payment obligation by the private operators.

Task 10 Financial Analysis

The U.S. Firm will prepare a financial analysis centering on the preferred airport concept (identified in Task 5 and supplemented with the output from Task 6 and Task 7). With the support of a newly constructed financial model that will be prepared by the U.S. Firm's financial analyst, the U.S. Firm will identify alternative sources of public and private investment that will result in financial structures that best achieve the long-term financial goals for TNIA. The analysis and identification of financing sources will culminate in the U.S. Firm's preparation of a Financial Plan that may be utilized to support capital investment decisions for TNIA as well as support presentations to prospective Brazilian and foreign investors.

This analysis shall include assessing the viability of financing passenger terminal, cargo terminal, and other operations through meetings and discussions with financial investors, including multilateral and bilateral institutions, and with prospective Brazilian and international private sector investors, many of which have been developing pools of capital to invest in airport and other infrastructure projects. This could include

participation through public private partnerships based on findings in Task 9 - Public Private Partnerships.

Based on the financial data gathered during the data collection phase under Task 1, this task shall include a review and analysis of at least the past 5 years of audited financial statements, including profitability, financial position, and cash flow. The analysis shall also address any liabilities, off balance sheet, or extraordinary items, which could materially affect the financial outlook for TNIA.

Using baseline historical financial data and information and assumptions developed from previous tasks and meetings and discussions with prospective investors, the U.S. Firm shall develop a financial model to generate 20-year financial forecasts for the following:

- Earnings
- Balance sheet
- Cash flow

The financial model will be constructed with the ability to conduct sensitivity analysis by modifying key variables including passenger and cargo demand forecasts; tariff and rate changes; operating expenses; capital investment requirements; and financing costs.

Revenue forecasts shall reflect tariff structures and revenue categories recommended by IATA and ICAO, including payment of the terminal users' tax; payment of fees by commercial airlines and private aircraft for landing rights, fuel supply, parking on the apron, and using boarding gates; revenues from an airport management contract or airport operation public-private partnership; facilities rental; retail; advertising; and car parking.

The analysis by the U.S. Firm shall also include appropriate ratio analysis such as net present value (NPV) and internal rate of return (IRR) analyses reflective of considerations such as the level of competitiveness in the international market for comparable investments, the current international risk qualification of investments in Brazil and the State, and an assessment of the project's financial viability and risk.

The U.S. Firm shall present the results of this modeling in a Financial Plan that will provide recommendations for financing overall TNIA development including, among other things, the following:

- Capital investments including phase of construction presented for each of the initial 5 years and then every fifth year for a 20-year period
- 20 year pro forma financial forecasts of earnings, balance sheet and cash flows

- ➔ Prospective financing sources (multilateral and bilateral institutions / Brazilian and international private sector investors / BNDES)
- ➔ Potential for internally generated capital to support capital expenditures
- ➔ Financing alternatives (debt/equity/quasi-equity)
- ➔ Public Private Partnerships
- ➔ Tax and other incentives that may be offered to investors
- ➔ Sensitivity Analysis
- ➔ Issues and risks
- ➔ Recommendations

Task 11 – Environmental Impact Assessment

The U.S. Firm shall:

- Provide an overview of possible impacts on the environment that may be the result of the proposed improvements and expansion at TNIA. Areas to be addressed include aircraft noise; air quality; water quality; waste management; and flora, fauna and natural features
- Conduct, in consultation with the Minas Gerais Secretariat of Environmental Protection and municipal authorities, a preliminary review and evaluation of the Project's expected environmental impacts and their compatibility with both local regulations and the requirements of potential lending agencies, especially the World Bank, the IFC, and the IDB
- Discuss how any potentially significant negative impacts can be minimized
- Identify Agency/Department expectations, priorities, opportunities, and trends
- Develop plans for full environmental impact assessment in anticipation of the Project moving forward to the implementation stage.

Task 12 – Developmental Impact

The U.S. Firm will perform an analysis intended to demonstrate to the State of Minas Gerais, Brazil, and other interested parties the direct and indirect benefits which the implementation of the Master Plan will have on the growth and development of the economy in Minas Gerais and Brazil. This analysis shall highlight the immediate impact that the Master Plan will generate, but also demonstrate ancillary developmental benefits that the Master Plan might accrue.

This analysis shall assess the following categories:

- Infrastructure and Industry: Synopsis of the infrastructure development impact (e.g. number of take offs and landings; increased passenger and cargo traffic); and cargo facilities development).
- Market Oriented Reform: Description of changes to regulations, laws, and institutions if Master Plan implementation moves forward as planned.
- Human Capacity Building: Development of local employment and the creation of skill sets that can be used for infrastructure and other projects.
- Technology Transfer: Description of advanced technologies used to implement the Master Plan and their implication for future projects.
- Other: Any other benefits derived from the implementation of the Master Plan.

Task 13 – Airport Plans

The U.S. Firm will prepare a set of preliminary conceptual airport plan drawings that illustrate the planned development of the Airport, as listed below. The plans prepared by the U.S. Firm shall utilize ICAO standards associated with design standards for the geometry of the airfield and terminal areas, safety and runway protection zones and other lateral clearances and clear areas that promote and enhance flight safety. The U.S. Firm will develop larger scale plans for the individual terminal area components, including interior layouts for the passenger terminal building and associated aircraft parking positions, and the layout of the air cargo/express/mail facilities. Drawings illustrating HVAC, electrical, communication, or plumbing features of the terminal building will not be required. Renderings of the terminal building are not required.

The conceptual airport plan drawings shall be developed for each phase of the improvement of the Airport. A listing of required plan drawings includes:

- Cover Sheet
- Master Site Plan (Airport Layout Plan Concept)
- Passenger Terminal Complex Plan
- Landside Access Plan

Task 14 – Reports and Coordination

The U.S. Firm will prepare draft interim reports, the Final Report, and conduct working meetings with the Government of the State of Minas Gerais and INFRAERO as well as

Airport tenants and users as may be appropriate. Draft interim reports will be submitted as follows:

- Draft Interim Report 1 will be submitted at the conclusion of Task 5
- Draft Interim Report 2 (Financial Plan/Public Private Partnerships) will be submitted at the conclusion of Task 10
- The Draft Final Report will be submitted at the conclusion of Task 13

All reports shall be prepared in English. The U.S. Firm shall provide three copies and an electronic version of each draft report and associated plan drawings for reproduction and distribution by the Government of the State of Minas Gerais. These reports shall be available at least two weeks prior to working meetings at which the findings and recommendations presented in the document will be discussed and reviewed. A total of three working meetings in Belo Horizonte are envisioned; meetings will be held a few weeks after the submittal of Draft Interim Report 1, Draft Interim Report 2 and the Draft Final Report. When appropriate, the U.S. Firm may issue working papers in order to facilitate discussions as each draft interim report is prepared. These working papers shall also be provided in hard copy (three copies) and electronic format.

Teleconference calls on the progress of the Airport Master Plan Technical Assistance should be made every two weeks so that all parties to the effort are informed about major issues or concerns that affect the delivery and quality of the final product.

The Contractor shall prepare and deliver to the Grantee and USTDA a substantive and comprehensive final report of all work performed under these Terms of Reference ("Final Report"). The Final Report shall be organized according to the above tasks, and shall include all deliverables and documents that have been provided to the Grantee. The Final Report shall be prepared in accordance with Clause I of Annex II of the Grant Agreement. A draft of the Final Report shall be submitted to the Grantee for its review. The U.S. Firm will then travel to Brazil within 30 days of submission to discuss this draft and any amendments requested by the Grantee. Upon formal agreement to the contents of this Report, the U.S. Firm shall submit its Final Report to the Grantee within 30 days. The U.S. Firm will prepare an executive summary that will be included in the Final Report and provided as a stand-alone deliverable. Ten (10) copies of the Final Report, including airport plan drawings and the stand-alone executive summary, will be provided to the Grantee.

Notes:

- 1) The U.S. Firm is responsible for compliance with U.S. export licensing requirements, if applicable, in the performance of the Terms of Reference.**

- 2) The U.S. Firm and the Grantee shall be careful to ensure that the public version of the Final Report contains no security or confidential information.
- 3) The Grantee and USTDA shall have an irrevocable, worldwide, royalty-free, non-exclusive right to use and distribute the Final Report and all work product that is developed under these Terms of Reference.
- 4) All Deliverables are to be supplied in the English language.

Annex II

USTDA Mandatory Agreement of Understanding to Perform the Technical Assistance Clauses

A. USTDA Mandatory Clauses Controlling

The parties to this Agreement of Understanding to Perform the Technical Assistance ("Agreement of Understanding") acknowledge that this Agreement of Understanding is funded in whole or in part by the U.S. Trade and Development Agency ("USTDA") under the Grant Agreement between the Government of the United States of America acting through USTDA and the State Government of Minas Gerais Economic Development Secretariat ("Client"), dated _____ ("Grant Agreement"). The Client has selected _____ ("U.S. Firm") to perform the technical assistance ("Technical Assistance") for State of Minas Gerais TNIA Airport Network Master Plan Project ("Project") in Brazil ("Host Country"). Notwithstanding any other provisions of this Agreement of Understanding, the following USTDA mandatory Agreement of Understanding clauses shall govern. All sub-agreements entered into by the U.S. Firm funded or partially funded with USTDA Grant funds shall include these USTDA mandatory Agreement of Understanding clauses, except for clauses B(1), G, H, I, and J. In addition, in the event of any inconsistency between the Grant Agreement and any Agreement of Understanding or sub-agreement thereunder, the Grant Agreement shall be controlling.

B. USTDA as Financier

(1) USTDA Approval of Agreement of Understanding

All agreements of understanding funded under the Grant Agreement, and any amendments thereto, including assignments and changes in the Terms of Reference, must be approved by USTDA in writing in order to be effective with respect to the expenditure of USTDA Grant funds. USTDA will not authorize the disbursement of USTDA Grant funds until the Agreement of Understanding has been formally approved by USTDA or until the Agreement of Understanding conforms to modifications required by USTDA during the Agreement of Understanding review process.

(2) USTDA Not a Party to the Agreement of Understanding

It is understood by the parties that USTDA has reserved certain rights such as, but not limited to, the right to approve the terms of this Agreement of Understanding and amendments thereto, including assignments, the selection of all U.S. Firms, the Terms of Reference, the Final Report, and any and all documents related to any Agreement of Understanding funded under the Grant Agreement. The parties hereto further understand and agree that USTDA, in reserving any or all of the foregoing approval rights, has acted solely as a financing entity to assure the proper use of United States

Government funds, and that any decision by USTDA to exercise or refrain from exercising these approval rights shall be made as a financier in the course of financing the Technical Assistance and shall not be construed as making USTDA a party to the Agreement of Understanding. The parties hereto understand and agree that USTDA may, from time to time, exercise the foregoing approval rights, or discuss matters related to these rights and the Project with the parties to the Agreement of Understanding or any sub-agreement, jointly or separately, without thereby incurring any responsibility or liability to such parties. Any approval or failure to approve by USTDA shall not bar the Client or USTDA from asserting any right they might have against the U.S. Firm, or relieve the U.S. Firm of any liability which the U.S. Firm might otherwise have to the Client or USTDA.

C. Nationality, Source and Origin

Except as USTDA may otherwise agree, the following provisions shall govern the delivery of goods and services funded by USTDA under the Grant Agreement: (a) for professional services, the U.S. Firm must be either a U.S. firm or U.S. individual; (b) the U.S. Firm may use U.S. subcontractors without limitation, but the use of subcontractors from Host Country may not exceed twenty percent (20%) of the USTDA Grant amount and may only be used for specific services from the Terms of Reference identified in the subcontract; (c) employees of U.S. Firm or U.S. subcontractors responsible for professional services shall be U.S. citizens or non-U.S. citizens lawfully admitted for permanent residence in the U.S.; (d) goods purchased for performance of the Technical Assistance and associated delivery services (e.g., international transportation and insurance) must have their nationality, source and origin in the United States; and (e) goods and services incidental to Technical Assistance support (e.g., local lodging, food, and transportation) in Host Country are not subject to the above restrictions. USTDA will make available further details concerning these provisions upon request.

D. Recordkeeping and Audit

The U.S. Firm and subcontractors funded under the Grant Agreement shall maintain, in accordance with generally accepted accounting procedures, books, records, and other documents, sufficient to reflect properly all transactions under or in connection with the Agreement of Understanding. These books, records, and other documents shall clearly identify and track the use and expenditure of USTDA funds, separately from other funding sources. Such books, records, and documents shall be maintained during the Agreement of Understanding term and for a period of three (3) years after final disbursement by USTDA. The U.S. Firm and subcontractors shall afford USTDA, or its authorized representatives, the opportunity at reasonable times for inspection and audit of such books, records, and other documentation.

E. U.S. Carriers

(1) Air

Transportation by air of persons or property funded under the Grant Agreement shall be on U.S. flag carriers in accordance with the Fly America Act, 49 U.S.C. 40118, to the extent service by such carriers is available, as provided under applicable U.S. Government regulations.

(2) Marine

Transportation by sea of property funded under the Grant Agreement shall be on U.S. carriers in accordance with U.S. cargo preference law.

F. Workman's Compensation Insurance

The U.S. Firm shall provide adequate Workman's Compensation Insurance coverage for work performed under this Agreement of Understanding.

G. Reporting Requirements

The U.S. Firm shall advise USTDA by letter as to the status of the Project on March 1st annually for a period of two (2) years after completion of the Technical Assistance. In addition, if at any time the U.S. Firm receives follow-on work from the Client, the U.S. Firm shall so notify USTDA and designate the U.S. Firm's contact point including name, telephone, and fax number. Since this information may be made publicly available by USTDA, any information which is confidential shall be designated as such by the U.S. Firm and provided separately to USTDA. USTDA will maintain the confidentiality of such information in accordance with applicable law.

H. Disbursement Procedures

(1) USTDA Approval of Agreement of Understanding

Disbursement of Grant funds will be made only after USTDA approval of this Agreement of Understanding. To make this review in a timely fashion, USTDA must receive from either the Client or the U.S. Firm a photocopy of an English language version of a signed Agreement of Understanding or a final negotiated draft version to the attention of the General Counsel's office at USTDA's address listed in Clause M below.

(2) Payment Schedule Requirements

A payment schedule for disbursement of Grant funds to the U.S. Firm shall be included in this Agreement of Understanding. Such payment schedule must conform to the following USTDA requirements: (1) up to twenty percent (20%) of the total USTDA Grant amount may be used as a mobilization payment; (2) all other payments, with the exception of the final payment, shall be based upon Agreement of Understanding performance milestones; and (3) the final payment may be no less than fifteen percent (15%) of the total USTDA Grant amount, payable upon receipt by USTDA of an approved Final Report in accordance with the specifications and quantities set forth in Clause I below. Invoicing procedures for all payments are described below.

(3) U.S. Firm Invoice Requirements

USTDA will make all disbursements of USTDA Grant funds directly to the U.S. Firm. The U.S. Firm must provide USTDA with an ACH Vendor Enrollment Form (available from USTDA) with the first invoice. The Client shall request disbursement of funds by USTDA to the U.S. Firm for performance of the contract by submitting the following to USTDA:

(a) U.S. Firm's Invoice

The U.S. Firm's invoice shall include reference to an item listed in the Contract payment schedule, the requested payment amount, and an appropriate certification by the U.S. Firm, as follows:

(i) For a mobilization payment (if any):

"As a condition for this mobilization payment, the U.S. Firm certifies that it will perform all work in accordance with the terms of its Agreement of Understanding with the Client. To the extent that the U.S. Firm does not comply with the terms and conditions of the Agreement of Understanding, including the USTDA mandatory provisions contained therein, it will, upon USTDA's request, make an appropriate refund to USTDA."

(ii) For Agreement of Understanding performance milestone payments:

"The U.S. Firm has performed the work described in this invoice in accordance with the terms of its Agreement of Understanding with the Client and is entitled to payment thereunder. To the extent the U.S. Firm has not complied with the terms and conditions of the Agreement of Understanding, including the USTDA mandatory provisions contained therein, it will, upon USTDA's request, make an appropriate refund to USTDA."

(iii) For final payment:

"The U.S. Firm has performed the work described in this invoice in accordance with the terms of its Agreement of Understanding with the Client and is entitled to payment thereunder. Specifically, the U.S. Firm has submitted the Final Report to the Client, as required by the Agreement of Understanding, and received the Client's approval of the Final Report. To the extent the U.S. Firm has not complied with the terms and conditions of the Agreement of Understanding, including the USTDA mandatory provisions contained therein, it will, upon USTDA's request, make an appropriate refund to USTDA."

(b) Client's Approval of the U.S. Firm's Invoice

(i) The invoice for a mobilization payment must be approved in writing by the Client.

(ii) For Agreement of Understanding performance milestone payments, the following certification by the Client must be provided on the invoice or separately:

"The services for which disbursement is requested by the U.S. Firm have been performed satisfactorily, in accordance with applicable Agreement of Understanding provisions and the terms and conditions of the USTDA Grant Agreement."

(iii) For final payment, the following certification by the Client must be provided on the invoice or separately:

"The services for which disbursement is requested by the U.S. Firm have been performed satisfactorily, in accordance with applicable Agreement of Understanding provisions and terms and conditions of the USTDA Grant Agreement. The Final Report submitted by the U.S. Firm has been reviewed and approved by the Client. "

(c) USTDA Address for Disbursement Requests

Requests for disbursement shall be submitted by courier or mail to the attention of the Finance Department at USTDA's address listed in Clause M below.

(4) Termination

In the event that the Agreement of Understanding is terminated prior to completion, the U.S. Firm will be eligible, subject to USTDA approval, for reasonable and documented costs which have been incurred in performing the Terms of Reference prior to termination, as well as reasonable wind down expenses. Reimbursement for such costs shall not exceed the total amount of undisbursed Grant funds. Likewise, in

the event of such termination, USTDA is entitled to receive from the U.S. Firm all USTDA Grant funds previously disbursed to the U.S. Firm (including but not limited to mobilization payments) which exceed the reasonable and documented costs incurred in performing the Terms of Reference prior to termination.

I. USTDA Final Report

(1) Definition

"Final Report" shall mean the Final Report described in the attached Annex I Terms of Reference or, if no such "Final Report" is described therein, "Final Report" shall mean a substantive and comprehensive report of work performed in accordance with the attached Annex I Terms of Reference, including any documents delivered to the Client.

(2) Final Report Submission Requirements

The U.S. Firm shall provide the following to USTDA:

(a) One (1) complete version of the Final Report for USTDA's records. This version shall have been approved by the Client in writing and must be in the English language. It is the responsibility of the U.S. Firm to ensure that confidential information, if any, contained in this version be clearly marked. USTDA will maintain the confidentiality of such information in accordance with applicable law.

and

(b) One (1) copy of the Final Report suitable for public distribution ("Public Version"). The Public Version shall have been approved by the Client in writing and must be in the English language. As this version will be available for public distribution, it must not contain any confidential information. If the report in (a) above contains no confidential information, it may be used as the Public Version. In any event, the Public Version must be informative and contain sufficient Project detail to be useful to prospective equipment and service providers.

and

(c) Two (2) CD-ROMs, each containing a complete copy of the Public Version of the Final Report. The electronic files on the CD-ROMs shall be submitted in a commonly accessible read-only format. As these CD-ROMs will be available for public distribution, they must not contain any confidential information. It is the responsibility of the U.S. Firm to ensure that no confidential information is contained on the CD-ROMs.

The U.S. Firm shall also provide one (1) copy of the Public Version of the Final Report to the Foreign Commercial Service Officer or the Economic Section of the U.S. Embassy in Host Country for informational purposes.

(3) Final Report Presentation

All Final Reports submitted to USTDA must be paginated and include the following:

(a) The front cover of every Final Report shall contain the name of the Client, the name of the U.S. Firm who prepared the report, a report title, USTDA's logo, USTDA's mailing and delivery addresses. If the complete version of the Final Report contains confidential information, the U.S. Firm shall be responsible for labeling the front cover of that version of the Final Report with the term "Confidential Version." The U.S. Firm shall be responsible for labeling the front cover of the Public Version of the Final Report with the term "Public Version." The front cover of every Final Report shall also contain the following disclaimer:

"This report was funded by the U.S. Trade and Development Agency (USTDA), an agency of the U. S. Government. The opinions, findings, conclusions or recommendations expressed in this document are those of the author(s) and do not necessarily represent the official position or policies of USTDA. USTDA makes no representation about, nor does it accept responsibility for, the accuracy or completeness of the information contained in this report."

(b) The inside front cover of every Final Report shall contain USTDA's logo, USTDA's mailing and delivery addresses, and USTDA's mission statement. Camera-ready copy of USTDA Final Report specifications will be available from USTDA upon request.

(c) The U.S. Firm shall affix to the front of the CD-ROM a label identifying the Host Country, USTDA Activity Number, the name of the Client, the name of the U.S. Firm who prepared the report, a report title, and the following language:

"The U.S. Firm certifies that this CD-ROM contains the Public Version of the Final Report and that all contents are suitable for public distribution."

(d) The U.S. Firm and any subcontractors that perform work pursuant to the Grant Agreement must be clearly identified in the Final Report. Business name, point of contact, address, telephone and fax numbers shall be included for U.S. Firm and each subcontractor.

(e) The Final Report, while aiming at optimum specifications and characteristics for the Project, shall identify the availability of prospective U.S. sources of supply. Business name, point of contact, address, telephone and fax numbers shall be included for each commercial source.

(f) The Final Report shall be accompanied by a letter or other notation by the Client which states that the Client approves the Final Report. A certification by the Client to this effect provided on or with the invoice for final payment will meet this requirement.

J. Modifications

All changes, modifications, assignments or amendments to this Agreement of Understanding, including the appendices, shall be made only by written agreement by the parties hereto, subject to written USTDA approval.

K. Technical Assistance Schedule

(1) Technical Assistance Completion Date

The completion date for the Technical Assistance, which is August 31, 2009, is the date by which the parties estimate that the Technical Assistance will have been completed.

(2) Time Limitation on Disbursement of USTDA Grant Funds

Except as USTDA may otherwise agree, (a) no USTDA funds may be disbursed under this Agreement of Understanding for goods and services which are provided prior to the Effective Date of the Grant Agreement; and (b) all funds made available under the Grant Agreement must be disbursed within four (4) years from the Effective Date of the Grant Agreement.

L. Business Practices

The U.S. Firm agrees not to pay, promise to pay, or authorize the payment of any money or anything of value, directly or indirectly, to any person (whether a governmental official or private individual) for the purpose of illegally or improperly inducing anyone to take any action favorable to any party in connection with the Technical Assistance. The Client agrees not to receive any such payment. The U.S. Firm and the Client agree that each will require that any agent or representative hired to represent them in connection with the Technical Assistance will comply with this paragraph and all laws which apply to activities and obligations of each party under this Agreement of Understanding, including but not limited to those laws and obligations dealing with improper payments as described above.

M. USTDA Address and Fiscal Data

Any communication with USTDA regarding this Agreement of Understanding shall be sent to the following address and include the fiscal data listed below:

U.S. Trade and Development Agency
1000 Wilson Boulevard, Suite 1600
Arlington, Virginia 22209-3901
USA

Phone: (703) 875-4357
Fax: (703) 875-4009

Fiscal Data:

Appropriation No.:	119/101001
Activity No.:	2009-51002A
Reservation No.:	2009510002
Grant No.:	GH2009510001

N. Definitions

All capitalized terms not otherwise defined herein shall have the meaning set forth in the Grant Agreement.

O. Taxes

USTDA funds provided under the Grant Agreement shall not be used to pay any taxes, tariffs, duties, fees or other levies imposed under laws in effect in Host Country. Neither the Client nor the U.S. Firm will seek reimbursement from USTDA for such taxes, tariffs, duties, fees or other levies.

ANNEX 5

Annex I

Terms of Reference

Objective

These are Terms of Reference for a Master Plan, which updates the airport Master Plan for the Tancredo Neves International Airport (TNIA). The Master Plan, which was last updated in 1985, will be a strategic framework for the program to improve and expand the landside and airside operations of TNIA. In developing this strategic framework, the Master Plan update will consider the physical and technical aspects of improvements in a manner that meets international design standards. In addition, the Master Plan update will consider the market and financial viability of implementing landside and airside improvements and expansion.

An important element of the Master Plan update is a market analysis addressing the required investment in air cargo and related facilities to support the anticipated increase in economic activity at TNIA and the planned development of an "Airport City".

When assessing financial viability, the Master Plan study will examine alternative sources of public and private investment that will result in financial structures that best achieve the long-term financial goals for TNIA. This analysis and identification of financing sources will culminate in a Financial Plan that will support capital investment decisions for TNIA as well as support meetings and negotiations with prospective Brazilian and foreign investors among which there is a growing level of interest in investing in Brazilian airport and other infrastructure projects.

This Master Plan will also factor in the multimodal network supporting TNIA, including current and planned road and rail facilities, as well as the development of PROAERO, an integrated air transport system administered by the State of Minas Gerais and which is intended to facilitate the movement of passengers and cargo within Minas Gerais.

Finally, the Terms of Reference will also include analyses that further identify the potential for U.S. industry to participate in the establishment of the new and expanded airport facilities. It should be noted that over the next eight years there are plans for significant capital expenditures for TNIA including, among other things, the construction of a second runway, expansion of the existing cargo facilities and related operations, capital improvements to the existing terminal, and the construction of a new terminal.

The Technical Assistance tasks are as follows:

Task 1 – Inventory Analysis

This task provides for the collection by the U.S. Firm of data pertaining to the historical (past 10 years minimum) and current activity levels at the existing airport. Such data will be provided by the Government of the State of Minas Gerais and Empresa Brasileira de Infra-Estrutura Aeroportuaria (INFRAERO) for general review by the U.S. Firm and includes, but is not limited to:

- Annual enplaned and deplaned passengers in scheduled domestic, scheduled international, domestic nonscheduled and international nonscheduled services
- Peak-hour (VFR and IFR) aircraft operations by major category
- Peak-hour passenger (enplaned, deplaned and total) and vehicle volumes
- Annual air cargo, express and mail volumes (and general types) enplaned and deplaned in domestic and international service
- Inventory of airport facilities and an assessment of their general condition and serviceability
- Collection of financial statements and other information related to the existing airport revenues, expenses, debt and other data that could affect formulation of the financial plan for the operation and development of the airport
- Wind/weather and other relevant meteorological data that could influence the location and operation of airside facilities
- Current strategy being implemented by the Government of the State of Minas Gerais to attract Brazilian and foreign companies for direct investment in facilities at the airport service area

Task 2 – Forecasts of Aviation Demand

The U.S. firm shall obtain aviation demand forecasts for the following activities from the Government of the State of Minas Gerais and/or INFRAERO. These forecasts reflect the demand levels to which later tasks addressing facility requirements can be prepared by the U.S. Firm.

- Annual enplaned and deplaned passengers in scheduled and nonscheduled airline service, both domestic and international
- Peak-hour (enplaning, deplaning and total) passengers

- ➔ Annual aircraft operations for the above categories
- ➔ Visual Flight Rules (VFR) and Instrument Flight Rules (IFR) peak-hour aircraft operations
- ➔ Annual air cargo, express and mail volumes, by type. This includes the impact which cargo activity derived from Airport City has on TNIA.
- ➔ Critical design aircraft (largest wing span and tail aircraft that operate at the airport on a regular basis) to meet applicable International Civil Aviation Organization (ICAO) standards for the airport geometry (lateral separation between aircraft operating areas)
- ➔ Vehicular traffic volumes (annual, average annual daily and peak-hour)

Task 3 – Airfield Area Demand /Capacity and Facility Requirements

This task addresses the airfield component of the airport and compares existing capacities of functional areas to demand and identifies facility requirements to meet capacity or level of service shortfalls. The U.S. Firm shall address the following:

- ➔ Number of runways required based on wind/weather conditions, and VFR and IFR peak-hour and annual capacity/demand relationships
- ➔ Runway length and strength based on nonstop stage length requirements to be flown by various types of aircraft in scheduled and nonscheduled passenger and cargo service
- ➔ Instrument approach capability (minimums) that should be provided for the runway ends. This analysis should also include a determination of the anticipated approach minimums by aircraft approach category based on Terminal Instrument Procedures (TERPS) or Procedures for Air Navigation Services – Aircraft Operations (PAN-OPS) guidelines, with and without the installation of an appropriate approach lighting system.
- ➔ Visual landing aids for each runway end
- ➔ Taxiway improvements to facilitate the ground movement of aircraft and reduce runway occupancy time

Task 4 – Terminal Area Demand /Capacity and Facility Requirements

The U.S. Firm will address components of the terminal complex to include the passenger terminal building; air cargo, express and mail handling centers; general aviation area; fuel storage; automobile access, circulation and parking; industrial park areas; rail access; Airport administrative functional areas; and other facilities that are to be located at the Airport. The facilities should be sized to each of the forecast year levels of activity. It may be appropriate to conduct activity surveys of operations within functional areas of the passenger terminal in order to assess the existing levels of service and capacity, and determine appropriate space requirements.

The U.S. Firm will prepare a conceptual space program for the passenger terminal building that identifies the area requirements of major functional element of the building. Discussions with the airlines serving the airport, existing airport tenants and INFRAERO are likely to be held during this planning activity. The conceptual space program includes areas such as:

- Passenger ticketing and lobby area
- Security for passenger and baggage screening
- Secure lobby areas and gate hold rooms
- Public-private partnerships in secure and non-secure areas
- Baggage makeup and handling areas
- Terminal tenant office areas
- Car rental and other ground transportation facility areas
- Airport administrative, security and police function areas
- Automobile parking areas

Additionally, area requirements for the following functions shall be identified by the U.S. Firm in order to size the overall airport operational area:

- Ramp areas for airline aircraft parking positions, remote parking stands and ground service equipment will be identified.
- Airline catering facilities
- General aviation aircraft tie down, hangar storage and automobile parking
- Airline aircraft operations and maintenance functions
- Air cargo, express and mail centers
- Industrial park to include aviation related activities and operations that may or may not require airfield access
- Solid waste disposal facilities will be determined.
- Aircraft rescue and firefighting vehicles and facility area requirements for their storage and maintenance, including crew facilities

Task 5 – Alternative Airport Concepts

The U.S. Firm will combine the facility requirements for the airfield, terminal and landside areas to generate up to four alternative conceptual layouts for the Airport. These concepts can incorporate sub-alternative layouts of the individual components (passenger terminal building, runway layout and associated taxiway network, vehicular and rail access and parking areas) of the entire Airport site. The alternatives will then be evaluated by the U.S. Firm utilizing a quantifiable evaluation process using criteria that have been determined jointly with the Government of the State of Minas Gerais. Evaluation criteria that are typically utilized in assessing the advantages and disadvantages of each alternative include, but are not limited to:

- Functional flows
- Expansion capability
- Flexibility to accommodate unforeseen changes in demand
- Environmental impact
- Construction and implementation costs
- Ease of development phasing
- Opportunity for operating revenue enhancement

The evaluation process seeks to identify the preferred airport concept, which is that overall airport conceptual layout that best meets the identified facility requirements. It is possible that the preferred airport concept will be a hybrid of the alternatives developed, combining the best features of the initial concepts.

The preferred airport concept will be utilized in subsequent tasks defining the staging, cost, potential environmental impacts and financial feasibility assessment.

Task 6 – Airport Security

The U.S. Firm will identify appropriate security systems (screening of passengers and carry-on and checked baggage, airport operational area access controls, airport perimeter controls, facilities monitoring, video and voice communications and personnel hiring and training processes) in order to assess compliance with applicable ICAO standards and best practices employed in the industry. Recommendations and costs to maintain International Aviation Safety Assessments (IASA) Category I standards shall be provided by the U.S. Firm. The U.S. Firm's recommendations shall take into account consideration of the sustainability of the system by local staff to ensure its continued operation and reliability.

Task 7 – Order-of-Magnitude Project Cost / Phasing

The U.S. Firm will develop order-of-magnitude (budget level) cost estimates based on the improvements and expansions recommended as the preferred airport concept defined in Task 5. These costs will be identified by phase of construction and form the basis for

capital requirements that are to be incorporated in the financial analysis in Task 10. The phased construction program and associated costs for the planned improvements will be the basis for discussions with the Government of the State of Minas Gerais, INFRAERO and potential investors as they relate to the preferred airport concept.

Task 8 – U.S. Export Potential

The U.S. Firm will prepare a list of potential U.S. suppliers of equipment and services. Names of firms, addresses and contact information will be provided for major categories of equipment and services. Additionally, to encourage and promote the involvement of U.S. businesses in the airport project and associated potential industrial development, as many as a total of seven representatives of the Government of the State of Minas Gerais and INFRAERO, as well as representatives of the U.S. Firm, will make a one-day presentation of the Airport Master Plan update findings at the USTDA offices in Arlington, Virginia. The briefing will be promoted by USTDA through its website. A briefing book representing a condensed version of the executive summary and including a reduced scale drawing of the airport layout plan describing the project and highlighting opportunities for U.S. exports of equipment and services will be prepared for distribution to the attendees. Attendees will also be given the opportunity to meet individually with representatives from the State and INFRAERO who are responsible for bidding and selecting suppliers. Representatives from the Washington, D.C. area multilateral and bilateral funding organizations will be invited to attend and brief attendees on their programs to support the required capital investment. The U.S. Firm shall use part of the USTDA Grant funds for this Project to fund the travel (airfare, hotel, meals) for up to seven Minas Gerais and INFRAERO representatives to bring their project to the attention of the U.S. market. The U.S. Firm shall also accompany these representatives. The Minas and INFRAERO representatives shall be responsible for preparing the items that will be presented as well as the leave-behind materials. The U.S. Firm shall review those materials to ensure that they convey the requisite information in a format that is responsive to the interests of the U.S. companies.

Task 9 – Investment Alternatives – models of partnerships

The U.S. Firm will review and make strategic recommendations for public private partnership (PPP) options that might impact certain capital improvement projects at TNIA including aviation-related industrial development. This analysis will include meetings and discussions with the appropriate officials within the State of Minas Gerais and other national authorities, and should include, among other things, Brazilian PPP policies, investment incentives offered under PPP programs, and a detailed list of examples of successful PPP implementation around the world.

The U.S. Firm will then identify those capital improvement projects at TNIA that warrant consideration for viable PPP strategies, factoring in the following:

- Legal Structure: Joint venture entity, management contract, or other forms of partnership;
- Contractual form for PPP implementation: Turnkey operation, build operate and transfer.

Once the appropriate PPP capital improvement projects are identified, the U.S. Firm will provide strategic procurement and implementation recommendations in accordance with the Brazilian PPP policies. These will include but not be limited to the following:

- Legal structure scenarios for the respective capital improvement project components
- Criteria for identifying suitable private sector partners including, among other things, technical expertise, prior public private experience, and financial resources which might include financial partners that the project might attract
- Discussion regarding the implications of PPPs on project implementation including, among other things, project timeline, procurement strategy, foreign ownership and other legal and regulatory aspects, investment incentives, repatriation guidelines, and financing structure
- Present a report of three successful experiences of Airport PPP
- Estimate of revenues for the public airport authorities that regard payment obligation by the private operators.

Task 10 Financial Analysis

The U.S. Firm will prepare a financial analysis centering on the preferred airport concept (identified in Task 5 and supplemented with the output from Task 6 and Task 7). With the support of a newly constructed financial model that will be prepared by the U.S. Firm's financial analyst, the U.S. Firm will identify alternative sources of public and private investment that will result in financial structures that best achieve the long-term financial goals for TNIA. The analysis and identification of financing sources will culminate in the U.S. Firm's preparation of a Financial Plan that may be utilized to support capital investment decisions for TNIA as well as support presentations to prospective Brazilian and foreign investors.

This analysis shall include assessing the viability of financing passenger terminal, cargo terminal, and other operations through meetings and discussions with financial investors, including multilateral and bilateral institutions, and with prospective Brazilian and international private sector investors, many of which have been developing pools of capital to invest in airport and other infrastructure projects. This could include

participation through public private partnerships based on findings in Task 9 - Public Private Partnerships.

Based on the financial data gathered during the data collection phase under Task 1, this task shall include a review and analysis of at least the past 5 years of audited financial statements, including profitability, financial position, and cash flow. The analysis shall also address any liabilities, off balance sheet, or extraordinary items, which could materially affect the financial outlook for TNIA.

Using baseline historical financial data and information and assumptions developed from previous tasks and meetings and discussions with prospective investors, the U.S. Firm shall develop a financial model to generate 20-year financial forecasts for the following:

- Earnings
- Balance sheet
- Cash flow

The financial model will be constructed with the ability to conduct sensitivity analysis by modifying key variables including passenger and cargo demand forecasts; tariff and rate changes; operating expenses; capital investment requirements; and financing costs.

Revenue forecasts shall reflect tariff structures and revenue categories recommended by IATA and ICAO, including payment of the terminal users' tax; payment of fees by commercial airlines and private aircraft for landing rights, fuel supply, parking on the apron, and using boarding gates; revenues from an airport management contract or airport operation public-private partnership; facilities rental; retail; advertising; and car parking.

The analysis by the U.S. Firm shall also include appropriate ratio analysis such as net present value (NPV) and internal rate of return (IRR) analyses reflective of considerations such as the level of competitiveness in the international market for comparable investments, the current international risk qualification of investments in Brazil and the State, and an assessment of the project's financial viability and risk.

The U.S. Firm shall present the results of this modeling in a Financial Plan that will provide recommendations for financing overall TNIA development including, among other things, the following:

- Capital investments including phase of construction presented for each of the initial 5 years and then every fifth year for a 20-year period
- 20 year pro forma financial forecasts of earnings, balance sheet and cash flows

- Prospective financing sources (multilateral and bilateral institutions / Brazilian and international private sector investors / BNDES)
- Potential for internally generated capital to support capital expenditures
- Financing alternatives (debt/equity/quasi-equity)
- Public Private Partnerships
- Tax and other incentives that may be offered to investors
- Sensitivity Analysis
- Issues and risks
- Recommendations

Task 11 – Environmental Impact Assessment

The U.S. Firm shall:

- Provide an overview of possible impacts on the environment that may be the result of the proposed improvements and expansion at TNIA. Areas to be addressed include aircraft noise; air quality; water quality; waste management; and flora, fauna and natural features
- Conduct, in consultation with the Minas Gerais Secretariat of Environmental Protection and municipal authorities, a preliminary review and evaluation of the Project's expected environmental impacts and their compatibility with both local regulations and the requirements of potential lending agencies, especially the World Bank, the IFC, and the IDB
- Discuss how any potentially significant negative impacts can be minimized
- Identify Agency/Department expectations, priorities, opportunities, and trends
- Develop plans for full environmental impact assessment in anticipation of the Project moving forward to the implementation stage.

Task 12 – Developmental Impact

The U.S. Firm will perform an analysis intended to demonstrate to the State of Minas Gerais, Brazil, and other interested parties the direct and indirect benefits which the implementation of the Master Plan will have on the growth and development of the economy in Minas Gerais and Brazil. This analysis shall highlight the immediate impact that the Master Plan will generate, but also demonstrate ancillary developmental benefits that the Master Plan might accrue.

This analysis shall assess the following categories:

- Infrastructure and Industry: Synopsis of the infrastructure development impact (e.g. number of take offs and landings; increased passenger and cargo traffic); and cargo facilities development).
- Market Oriented Reform: Description of changes to regulations, laws, and institutions if Master Plan implementation moves forward as planned.
- Human Capacity Building: Development of local employment and the creation of skill sets that can be used for infrastructure and other projects.
- Technology Transfer: Description of advanced technologies used to implement the Master Plan and their implication for future projects.
- Other: Any other benefits derived from the implementation of the Master Plan.

Task 13 – Airport Plans

The U.S. Firm will prepare a set of preliminary conceptual airport plan drawings that illustrate the planned development of the Airport, as listed below. The plans prepared by the U.S. Firm shall utilize ICAO standards associated with design standards for the geometry of the airfield and terminal areas, safety and runway protection zones and other lateral clearances and clear areas that promote and enhance flight safety. The U.S. Firm will develop larger scale plans for the individual terminal area components, including interior layouts for the passenger terminal building and associated aircraft parking positions, and the layout of the air cargo/express/mail facilities. Drawings illustrating HVAC, electrical, communication, or plumbing features of the terminal building will not be required. Renderings of the terminal building are not required.

The conceptual airport plan drawings shall be developed for each phase of the improvement of the Airport. A listing of required plan drawings includes:

- Cover Sheet
- Master Site Plan (Airport Layout Plan Concept)
- Passenger Terminal Complex Plan
- Landside Access Plan

Task 14 – Reports and Coordination

The U.S. Firm will prepare draft interim reports, the Final Report, and conduct working meetings with the Government of the State of Minas Gerais and INFRAERO as well as

Airport tenants and users as may be appropriate. Draft interim reports will be submitted as follows:

- Draft Interim Report 1 will be submitted at the conclusion of Task 5
- Draft Interim Report 2 (Financial Plan/Public Private Partnerships) will be submitted at the conclusion of Task 10
- The Draft Final Report will be submitted at the conclusion of Task 13

All reports shall be prepared in English. The U.S. Firm shall provide three copies and an electronic version of each draft report and associated plan drawings for reproduction and distribution by the Government of the State of Minas Gerais. These reports shall be available at least two weeks prior to working meetings at which the findings and recommendations presented in the document will be discussed and reviewed. A total of three working meetings in Belo Horizonte are envisioned; meetings will be held a few weeks after the submittal of Draft Interim Report 1, Draft Interim Report 2 and the Draft Final Report. When appropriate, the U.S. Firm may issue working papers in order to facilitate discussions as each draft interim report is prepared. These working papers shall also be provided in hard copy (three copies) and electronic format.

Teleconference calls on the progress of the Airport Master Plan Technical Assistance should be made every two weeks so that all parties to the effort are informed about major issues or concerns that affect the delivery and quality of the final product.

The Contractor shall prepare and deliver to the Grantee and USTDA a substantive and comprehensive final report of all work performed under these Terms of Reference ("Final Report"). The Final Report shall be organized according to the above tasks, and shall include all deliverables and documents that have been provided to the Grantee. The Final Report shall be prepared in accordance with Clause I of Annex II of the Grant Agreement. A draft of the Final Report shall be submitted to the Grantee for its review. The U.S. Firm will then travel to Brazil within 30 days of submission to discuss this draft and any amendments requested by the Grantee. Upon formal agreement to the contents of this Report, the U.S. Firm shall submit its Final Report to the Grantee within 30 days. The U.S. Firm will prepare an executive summary that will be included in the Final Report and provided as a stand-alone deliverable. Ten (10) copies of the Final Report, including airport plan drawings and the stand-alone executive summary, will be provided to the Grantee.

Notes:

- 1) The U.S. Firm is responsible for compliance with U.S. export licensing requirements, if applicable, in the performance of the Terms of Reference.**

- 2) The U.S. Firm and the Grantee shall be careful to ensure that the public version of the Final Report contains no security or confidential information.
- 3) The Grantee and USTDA shall have an irrevocable, worldwide, royalty-free, non-exclusive right to use and distribute the Final Report and all work product that is developed under these Terms of Reference.
- 4) All Deliverables are to be supplied in the English language.

ANNEX 6

COMPANY INFORMATION

A. Company Profile

Provide the information listed below relative to the Offeror's firm. If the Offeror is proposing to subcontract some of the proposed work to another firm(s), the information below must be provided for each subcontractor.

1. Name of firm and business address (street address only), including telephone and fax numbers:
2. Year established (include predecessor companies and year(s) established, if appropriate).
3. Type of ownership (e.g. public, private or closely held).
4. If private or closely held company, provide list of shareholders and the percentage of their ownership.
5. List of directors and principal officers (President, Chief Executive Officer, Vice-President(s), Secretary and Treasurer; provide full names including first, middle and last). Please place an asterisk (*) next to the names of those principal officers who will be involved in the Feasibility Study.
6. If Offeror is a subsidiary, indicate if Offeror is a wholly-owned or partially-owned subsidiary. Provide the information requested in items 1 through 5 above for the Offeror's parent(s).

7. Project Manager's name, address, telephone number, e-mail address and fax number .

B. Offeror's Authorized Negotiator

Provide name, title, address, telephone number, e-mail address and fax number of the Offeror's authorized negotiator. The person cited shall be empowered to make binding commitments for the Offeror and its subcontractors, if any.

C. Negotiation Prerequisites

1. Discuss any current or anticipated commitments which may impact the ability of the Offeror or its subcontractors to complete the Feasibility Study as proposed and reflect such impact within the project schedule.

2. Identify any specific information which is needed from the Grantee before commencing contract negotiations.

D. Offeror's Representations

Please provide exceptions and/or explanations in the event that any of the following representations cannot be made:

1. Offeror is a corporation *[insert applicable type of entity if not a corporation]* duly organized, validly existing and in good standing under the laws of the State of _____. The Offeror has all the requisite corporate power and authority to conduct its business as presently conducted, to submit this proposal, and if selected, to execute and deliver a contract to the Grantee for the performance of the Feasibility Study. The Offeror is not debarred, suspended, or to the best of its knowledge or belief, proposed for debarment, or ineligible for the award of contracts by any federal or state governmental agency or authority. The Offeror has included, with this proposal, a certified copy of its Articles of Incorporation, and a certificate of good

standing issued within one month of the date of its proposal by the State of _____.

2. Neither the Offeror nor any of its principal officers have, within the three-year period preceding this RFP, been convicted of or had a civil judgment rendered against them for: commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a federal, state or local government contract or subcontract; violation of federal or state antitrust statutes relating to the submission of offers; or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, tax evasion, violating federal or state criminal tax laws, or receiving stolen property.
3. Neither the Offeror, nor any of its principal officers, is presently indicted for, or otherwise criminally or civilly charged with, commission of any of the offenses enumerated in paragraph 2 above.
4. There are no federal or state tax liens pending against the assets, property or business of the Offeror. The Offeror, has not, within the three-year period preceding this RFP, been notified of any delinquent federal or state taxes in an amount that exceeds \$3,000 for which the liability remains unsatisfied. Taxes are considered delinquent if (a) the tax liability has been fully determined, with no pending administrative or judicial appeals; and (b) a taxpayer has failed to pay the tax liability when full payment is due and required.
5. The Offeror has not commenced a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law. The Offeror has not had filed against it an involuntary petition under any bankruptcy, insolvency or similar law.

The selected Offeror shall notify the Grantee and USTDA if any of the representations included in its proposal are no longer true and correct at the time of its entry into a contract with the Grantee. USTDA retains the right to request an updated certificate of good standing from the selected Offeror.

Signed: _____
(Authorized Representative)

Print Name: _____

Title: _____

Date: _____

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